

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

HOUSING AUTHORITY OF NEW ORLEANS

SEPTEMBER 30, 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/11/09

THIS PAGE INTENTIONALLY LEFT BLANK

Housing Authority of New Orleans

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	15
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	17
STATEMENT OF CASH FLOWS	18
NOTES TO FINANCIAL STATEMENTS	20
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	44
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	48
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	61
SUPPLEMENTAL INFORMATION	
FINANCIAL DATA SCHEDULE	70
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS	74

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Housing Authority of New Orleans

We have audited the accompanying statement of net assets of the Housing Authority of New Orleans (HANO) and its discretely presented component units as of and for the year ended September 30, 2007, as listed in the table of contents. These basic financial statements are the responsibility of HANO's management. Our responsibility is to express an opinion on these financial statements based on our audit. For the year ended September 30, 2007, we did not audit the financial statements of the following two discretely presented component units: Fischer I, LLC and Fischer III, LLC. The financial statements for those entities reflect total assets of \$25,622,447 and total revenues of \$782,669. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to those entities, is based solely on the reports of the other auditors.

Except as explained by the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of net assets. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit of the statement of net assets and the reports of other auditors provide a reasonable basis for our opinion.

We were unable to obtain records regarding potential liabilities for incurred but not reported claims. In addition, we were not able to examine records related to the activities at one of HANO's public housing sites. This site is managed by a separate Resident Management Corporation. The activities for this site are accounted for in the primary government column of the basic financial statements. The accompanying financial statements include the following for this site: total assets of \$4,336,110, total liabilities of \$259,390, total net assets of \$4,076,720, total revenues of \$3,361,012 (including HUD operating grants of \$2,585,586 which were audited), and total expenses of \$2,017,470.

In our opinion, based on our audit and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had there been documents analyzing the potential liabilities for incurred but not reported claims, and had we been able to examine records regarding the activities related to a Resident Management Corporation, the financial statements referred to above present fairly, in all material respects, the



financial position of the Housing Authority of New Orleans and its discretely presented component units as of September 30, 2007, and changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 19, 2008, on our consideration of HANO's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 14 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America and the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and we express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Housing Authority of New Orleans taken as a whole. The accompanying supplemental information on pages 70 through 74, including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and the Financial Data Schedule required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Except as discussed in the third paragraph above, the supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, based on our audit and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary as described in the fourth paragraph above, the supplemental information on pages 70 through 74 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Reznick Group, P.C.

Charlotte, North Carolina
December 19, 2008

Housing Authority of New Orleans

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2007

This section of the Housing Authority of New Orleans (HANO)'s financial report represents management's discussion and analysis of HANO's financial performance during the fiscal year ended September 30, 2007. Please read it in conjunction with HANO's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- HANO's total net assets as of September 30, 2007 were \$280,390,792 as compared to total net assets of approximately \$209,592,619 at September 30, 2006. This represents an increase from the prior year of approximately \$70,798,173 or 33.8%. The main elements of this increase were a \$69,551,420 increase in cash and cash equivalents that represented the fungibility plan for Section 8 funding, and an increase of \$30,095,736 in notes receivable from HANO's component units. These gains were offset by a decrease of \$29,777,800 in combined operating and non-operating income.
- During the year, HANO's operating revenues were \$66,624,422 more than the \$135,430,761 expended on Housing Assistance Payments, General & Administrative, Repairs and Maintenance, Utilities, Tenant Services, Protective Services, and Depreciation Expense. In the prior year, operating revenues were \$81,045,590 more than operating expenses. Non-operating revenues declined by \$15,356,632 reflecting the absence of revenues associated with post Hurricane Katrina related activities.
- For the fiscal year ended September 30, 2007, HANO recognized Low Income and Section 8 operating subsidies of \$60,075,656 (including Public Housing and Capital Fund Operating Subsidies) and \$135,817,970, respectively. HANO also recognized \$112,276 in HOPE VI grant revenues, and in dwelling rental revenues for the current fiscal year.
- For the fiscal year ended September 30, 2007, HANO received a regulatory waiver of its SEMAP submission. The most current submission in 2004 resulted in a score of 100 %.
- HANO received a regulatory waiver of its FASS score issued by HUD REAC for the fiscal year ended September 30, 2007. HANO received a FASS score of 13 out of 20 for its audited electronic submission to HUD REAC for the fiscal year ended September 30, 2004.

Housing Authority of New Orleans

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

September 30, 2007

- HANO administers HOPE VI grants that are being used to revitalize distressed properties in the West Bank and Ninth Ward communities of greater New Orleans. These grants are designed to provide residents of deteriorating public housing communities with new housing, resident services, and training programs. For the year ended September 30, 2007, HANO received \$112,276 in funding from this source to continue its redevelopment and supportive services programs.
- For the fiscal year ended September 30, 2007, HANO received a regulatory waiver of its MASS certification. The most current submission in 2004 resulted in a score of 26 out of 30 total points.

Crescent Affordable Housing Corporation (CAHC) was formed in December of 2003, as a component unit of HANO. CAHC is a nonprofit membership corporation established for the purpose of coordinating the development of safe, decent and affordable housing for the low and moderate income citizens of New Orleans.

Lune d'Or Enterprises, LLC (Lune d'Or) was formed in March of 2004, as a component unit of HANO. Lune d'Or currently serves as the managing member of four Louisiana limited liability companies. CAHC and HANO serve as co-developers with respect to the affordable housing projects being constructed by the four LLC's.

Fischer I, LLC (Fischer I) was formed in March of 2004. Fischer I is a Louisiana limited liability company that had constructed 20 affordable housing units with 20 leased as of September 30, 2007.

Fischer III, LLC (Fischer III) had completed all planned 103 units. As of September 30, 2007, 100 units were leased.

Guste I, LLC had completed all planed 82 units. As of September 30, 2007, 28 units were leased.

Housing Authority of New Orleans

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

September 30, 2007

OVERVIEW OF FINANCIAL STATEMENTS

The annual report consists of three parts - *management's discussion and analysis (this section)*, *the basic financial statements*, and *required supplementary information*. The basic financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- Statement of Net Assets - reports HANO's assets and liabilities at the end of the operating year and provides information about the nature and amounts of investment of resources and obligations to creditors.
- Statement of Revenue, Expenses, and Change in Net Assets - reports the results of activity over the course of the current year. It details the costs associated with operating HANO and how those costs were funded. It also provides an explanation of the change in net assets from the previous operating period to the current operating period.
- Statement of Cash Flows - reports HANO's cash flows in and out from operating, noncapital financing, capital related financing and investing activities. It details the sources of HANO's cash, what it was used for, and the change in cash over the course of the operating year.
- The notes to the financial statements explain some of the information in the financial statements and provide more detailed data.
- The statements are followed by *required supplementary information* that presents HANO's electronic data submitted to HUD's Real Estate Assessment Center.

Our analysis of HANO as a whole begins on this page. The most important question asked about HANO's finances is, "*Is HANO, as a whole, better or worse off as a result of the year's activities?*"

The attached analysis of entity wide net assets, revenue, and expenses are provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting.

Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenue and expenses when earned or incurred regardless of when cash is received or paid.

Housing Authority of New Orleans

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

September 30, 2007

Our analysis also presents HANO's net assets and changes in them. You can think of HANO's net assets as the difference between what HANO owns (assets) to what HANO owes (liabilities). The change in net assets analysis will assist the reader with measuring the health or financial position of HANO.

Net assets are categorized as one of three types.

- I. **Invested in capital assets, net of related debt** - Capital assets, net of accumulated depreciation and reduced by debt attributable to the acquisition of those assets;
- II. **Restricted** - net assets whose use is subject to constraints imposed by law or agreement; and
- III. **Unrestricted** - net assets that are neither invested in capital assets nor restricted.

Over time, significant changes in HANO's net assets are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any Housing Authority, the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Housing Authority's capital assets.

Housing Authority of New Orleans

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

September 30, 2007

FINANCIAL ANALYSIS OF THE HANO AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of HANO's financial position. In the case of HANO, assets exceeded liabilities by \$280,390,792 at the close of the most recent fiscal year.

As of September 30, 2007, the largest components of HANO's net assets was cash (restricted and unrestricted) \$167,385,232. This growth in case from \$100,184,261 at the end of the prior year reflected the result of the Authority's implementation of a fungibility plan whereby unexpended funds from the Section 8 program were consolidated to meet anticipated capital needs for housing redevelopment.

Table A-1

Housing Authority of New Orleans Net Assets

	<u>2007</u>	<u>2006</u>	<u>Variance</u>
Current assets	\$ 160,207,915	\$ 120,096,879	33.4%
Restricted assets	28,585,086	40,119,495	-28.8%
Capital assets (net)	66,614,968	66,326,793	0.4%
Other assets	96,903,193	65,085,284	48.9%
Total Assets	<u>352,311,162</u>	<u>291,628,451</u>	<u>20.8%</u>
Current liabilities	26,230,845	14,316,051	83.2%
Tenant security deposits	579,944	572,046	1.4%
Noncurrent liabilities	45,109,581	67,147,735	-32.8%
Total Liabilities	<u>71,920,370</u>	<u>82,035,832</u>	<u>-12.3%</u>
Invested in capital ssets (net)	44,844,968	24,106,793	86.0%
Restricted net assets	72,077,594	27,132,750	165.6%
Unrestricted net assets	<u>163,468,230</u>	<u>158,353,076</u>	<u>3.2%</u>
Total Net Assets	<u>\$ 280,390,792</u>	<u>\$ 209,592,619</u>	<u>33.8%</u>

The remaining balance of *unrestricted net assets* \$163,468,230 may be used to meet HANO's ongoing obligations to program participants and creditors'.

Housing Authority of New Orleans

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

September 30, 2007

At the end of the current fiscal year, HANO is able to report significant increases in the positive balances in all categories of net assets resulting in a net increase of \$70,798,173.

HANO's current assets increased by \$40,111,036. The main elements of this increase were a \$69,551,420 increase in cash and cash equivalents that represented the fungibility plan for Section 8 funding, and an increase of \$30,095,736 in notes receivable from HANO's component units. These gains were offset by a decrease of \$29,777,800 in combined operating and non-operating income.

HANO's restricted assets decreased by \$11,534,409. This decrease resulted from the utilization of restricted cash.

HANO's capital assets increased by \$288,175, reflecting an increase in construction in progress, offset by the current year's depreciation expense.

HANO's other assets increased by \$31,817,909. This increase represents the growth in notes receivable as a result of HANO's financing of redevelopment activities of its component units.

HANO's current liabilities increased by \$11,914,794. This increase resulted from the deferred revenues associated with the launch of the DHAP program.

HANO's non-current liabilities decreased by \$22,038,154 during the current fiscal year. This decrease resulted primarily from the satisfaction of long term debt commitments.

Housing Authority of New Orleans
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
September 30, 2007

Table A-2
Housing Authority of New Orleans Changes in Net Assets

	2007	2006	Variance
Revenues:			
Operating Revenues:			
Dwelling rental	\$ 1,933,613	\$ 951,154	103.29%
Public housing operating subsidy	195,966,871	140,410,865	39.57%
Other income	4,154,699	20,479,042	-79.71%
Total Operating Revenues	202,055,183	161,841,061	24.85%
Expenses:			
Administrative and general	44,967,168	25,994,017	72.99%
Tenant services	4,555,843	4,625,834	-1.51%
Utilities	1,478,598	1,933,758	-23.54%
Repairs and maintenance	9,153,992	10,005,768	-8.51%
Protection services	1,725,578	2,006,819	-14.01%
Housing assistance payments	61,378,999	16,708,850	267.34%
Extraordinary maintenance	11,607,943	18,982,555	-38.85%
Depreciation and amortization	562,640	537,870	4.61%
Total Operating Expenses	135,430,761	80,795,471	67.62%
Operating Income (Loss)	66,624,422	81,045,590	-17.79%
Nonoperating Revenues (Expenses):			
Investment income	7,561,813	3,645,949	107.40%
TIF bond payments	-	(1,672,442)	-100.00%
Interest on notes receivable	1,733,486	1,738,143	-0.27%
Casualty (gain) loss	(2,440,568)	25,450,211	-109.59%
Loss on extinguishment of debt	(1,251,388)	(7,257,803)	-82.76%
Interest expense	(1,010,246)	(1,954,329)	-48.31%
Total Nonoperating Revenues (Expenses):	4,593,097	19,949,729	-76.98%
Income Before Capital Grants	71,217,519	100,995,319	-29.48%
Capital Grants			
HUD capital grants	39,031	321,059	-87.84%
State and city grants	749,857	2,381,876	-68.52%
Total Capital Grants	788,888	2,702,935	-70.81%
Increase (decrease) in net assets	72,006,407	103,698,254	-30.56%
Net Assets - Beginning	209,592,619	142,189,148	47.40%
Prior period adjustment	(1,208,234)	(36,294,783)	-96.67%
Net Assets - Beginning, as restated	208,384,385	105,894,365	96.79%
Net Assets - Ending	\$ 280,390,792	\$ 209,592,619	33.78%

Housing Authority of New Orleans
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

September 30, 2007

HANO's revenues from dwelling units increased by \$982,459 reflecting the impact of higher occupancy during the first full year of operations after Hurricane Katrina.

HANO's revenues from HUD operating subsidies and grants increased by \$55,556,006 reflecting the increases in the funding of Section 8 programs and in the operations component of capital fund grants.

HANO's other income declined by \$16,324,343. This decline reflects non-recurring post-Hurricane Katrina grants from FEMA and other entities that were provided in the prior year.

HANO's administrative expenses increased by \$18,973,151. This increase reflects the growth in personnel and other essential needs associated with the Authority's recovery.

HANO's capital grants revenues decreased by \$282,028 continuing the trend of operations' demands outstripping capital uses.

HANO's HAP expenses increased by \$44,670,149 owing to significant increased usage through the HCV program as enabled by increased availability of rental housing as the region recovered from the effect of Hurricane Katrina.

HANO's Repairs and Maintenance expenses decreased by \$851,776. This decrease reflects reduced personnel expenses as a result of a lay-Off late in the prior year.

HANO's Utility expenses decreased by \$455,160. The decrease resulted from the lower demand for utilities for extraordinary maintenance and related maintenance and recovery activities compared to the prior year.

HANO's Protection services expenses decreased by \$281,241. This decrease resulted from reduced personnel expenses.

HANO's Casualty Loss account reflects the absence of insurance receipts compared to the prior year.

HANO's Investment Income increased by \$3,915,864 representing earnings on unspent grant funds from the HCV program under the fungibility plan.

Housing Authority of New Orleans
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

September 30, 2007

Capital Asset and Debt Administration

Capital assets. HANO's investment in capital assets as of September 30, 2007, amounts to \$44,844,968 (net of accumulated depreciation). This investment, plus \$21,770,000 in related debt, represents the Authority's book value of capital assets of \$66,614,968. This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress. There was little capital activity in the current year.

Major capital asset events during the current fiscal year included the following:

Housing Authority of New Orleans Capital Assets

	<u>2007</u>	<u>2006</u>
Land	\$ 40,853,157	\$ 40,828,991
Buildings and improvements	14,228,766	13,793,205
Furniture and equipment	266,973	231,386.00
Construction in progress	12,366,582	12,011,081
Less: accumulated depreciation	<u>(1,100,510)</u>	<u>(537,870)</u>
Total	<u>\$ 66,614,968</u>	<u>\$ 66,326,793</u>

Additional information on HANO's capital assets can be found in note 8 of this report.

Long-term debt - At the end of the current year, HANO had total debt outstanding of \$42,220,000. HANO's Capital Fund Program Revenue Bonds - Series A of 2003 are secured by pledges of Replacement Housing Factor Funds and Capital Fund Grants, and are payable in monthly installments through December 1, 2023.

Housing Authority of New Orleans
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
September 30, 2007

Housing Authority of New Orleans Outstanding Debt

	<u>2007</u>	<u>2006</u>
Capital Fund Program Revenue Bonds- Series A of 2003	<u>\$ 21,770,000</u>	<u>\$ 42,220,000</u>

HANO's total debt decreased by \$20,450,000. This decrease resulted from the redemption of the Series IIA Bonds associated with the Florida development. The damage caused by Hurricane Katrina made the project infeasible and under the provisions of the Bond Indenture allowed for the early retirement of the Bonds.

Economic Factors

Significant economic factors affecting HANO are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development;
- local labor supply and demand, which can affect salary and wage rates;
- local inflationary, recessionary and employment trends, which can affect resident incomes and therefore tenant rental income;
- natural disasters which can have a devastating impact on the local economy;
- locality issues which result from goods and services often being required to be imported; and
- inflationary pressure on utility rates, supplies and other costs.

Requests for Information

The financial report is designed to provide a general overview of HANO's finances for all those with an interest in the Housing Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chief Financial Officer, Housing Authority of New Orleans, 4100 Touro Street, New Orleans, Louisiana, 70122.

THIS PAGE INTENTIONALLY LEFT BLANK

Housing Authority of New Orleans
STATEMENT OF NET ASSETS
Enterprise Fund and Discretely Presented Component Units

September 30, 2007

	ASSETS		
	Primary Government	Discrete Component Units	Total Reporting Entity
Current Assets			
Cash and cash equivalents - unrestricted	\$ 142,690,669	\$ 35,335,850	\$ 178,026,519
Investments	7,992,214	-	7,992,214
Accounts receivable - tenants, net	280,401	-	280,401
Accounts receivable - PHA projects	528,146	-	528,146
Accounts receivable - HUD	387,816	-	387,816
Accounts receivable - other	1,312,332	614,535	1,926,867
Accounts receivable - component units	4,998,083	-	4,998,083
Prepaid expenses	1,997,688	-	1,997,688
Inventories	20,566	-	20,566
Total Current Assets	160,207,915	35,950,385	196,158,300
Restricted Assets			
Resident security deposits	403,568	-	403,568
Restricted cash	24,290,995	908,033	25,199,028
Restricted bond and grant funds	3,890,523	641,367	4,531,890
Total Restricted Assets	28,585,086	1,549,400	30,134,486
Capital Assets			
Land	40,853,157	-	40,853,157
Buildings and improvements	14,228,766	23,299,436	37,528,202
Furniture, equipment and machinery - dwelling	181,496	-	181,496
Furniture, equipment and machinery - administration	85,477	-	85,477
Construction in progress	12,366,582	22,816,820	35,183,402
	67,715,478	46,116,256	113,831,734
Less: Accumulated depreciation	(1,100,510)	(798,083)	(1,898,593)
Total Capital Assets	66,614,968	45,318,173	111,933,141
Other Noncurrent Assets			
Notes receivable from component units, net	70,214,417	-	70,214,417
Notes receivable - other	22,483,461	-	22,483,461
Accrued interest receivable - notes receivable	1,321,908	-	1,321,908
Accrued interest receivable - from component units	2,883,407	-	2,883,407
Prepaid ground lease	-	752,074	752,074
Other assets	-	25,890,626	25,890,626
Total Other Noncurrent Assets	96,903,193	26,642,700	123,545,893
Total Assets	352,311,162	109,460,658	461,771,820

(continued)

Housing Authority of New Orleans
STATEMENT OF NET ASSETS - CONTINUED
Enterprise Fund and Discretely Presented Component Units

September 30, 2007

LIABILITIES AND NET ASSETS

	Primary Government	Discrete Component Units	Total Reporting Entity
Current Liabilities			
Accounts payable	2,508,501	3,113,231	5,621,732
Accounts payable - HUD	3,067,444	-	3,067,444
Accrued wages/taxes payable	572,173	-	572,173
Settlements, judgments and contingencies	1,875,147	634,500	2,509,647
Accrued expenses	1,310,769	4,479,657	5,790,426
Current portion of long-term debt - capital projects	1,930,000	-	1,930,000
Deferred revenue	13,778,039	66,268	13,844,307
Other current liabilities	982,425	120,862	1,103,287
Accrued compensated absences - current portion	206,347	-	206,347
Total Current Liabilities	26,230,845	8,414,518	34,645,363
Current Liabilities Payable from Restricted Assets			
Resident security deposits	579,944	10,301	590,245
Long-Term Liabilities			
Accrued compensated absences - net of current portion	1,095,102	-	1,095,102
Long-term debt - capital projects - net of current portion	19,840,000	-	19,840,000
Long-term debt - capital projects - payable to primary government	-	70,214,417	70,214,417
Long-term debt - capital projects	-	30,944,775	30,944,775
Settlements, judgments and contingencies	23,365,038	-	23,365,038
Other noncurrent liabilities	809,441	2,275,272	3,084,713
Total Long-Term Liabilities	45,109,581	103,434,464	148,544,045
Total Liabilities	71,920,370	111,859,283	183,779,653
Net Assets			
Invested in capital assets, net of related debt	44,844,968	-	44,844,968
Restricted net assets	72,077,594	-	72,077,594
Unrestricted net assets	163,468,230	(2,398,625)	161,069,605
Total Net Assets	\$ 280,390,792	\$ (2,398,625)	\$ 277,992,167

See notes to financial statements

Housing Authority of New Orleans

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Enterprise Fund and Discretely Presented Component Units

Year ended September 30, 2007

	Primary Government	Discrete Component Units	Total Reporting Entity
Operating Revenue			
Dwelling rent	\$ 1,933,613	\$ 581,800	\$ 2,515,413
HUD operating subsidy and grant revenue	195,966,871	-	195,966,871
Other income	4,154,699	273,135	4,427,834
Total Operating Revenue	202,055,183	854,935	202,910,118
Operating Expenses			
Administrative	32,166,833	746,684	32,913,517
Tenant services	4,555,843	-	4,555,843
Utilities	1,478,598	128,372	1,606,970
Maintenance and operations	9,153,992	41,307	9,195,299
Protective services	1,725,578	-	1,725,578
General	12,800,335	746,656	13,546,991
Housing assistance payments	61,378,999	-	61,378,999
Extraordinary maintenance	11,607,943	-	11,607,943
Depreciation	562,640	1,349,690	1,912,330
Total Operating Expense	135,430,761	3,012,709	138,443,470
Operating Income (Loss)	66,624,422	(2,157,774)	64,466,648
Nonoperating Revenues (Expenses)			
Investment income	6,862,296	1,003,799	7,866,095
Investment income from notes receivable	2,433,003	-	2,433,003
Insurance proceeds	-	84,695	84,695
Gain (loss) on extinguishment of debt - TIF bonds	(733,960)	-	(733,960)
Gain (loss) on extinguishment of debt - component units	(2,957,996)	2,957,996	-
Interest expense	(1,010,246)	(2,433,003)	(3,443,249)
Total Nonoperating Revenues (Expenses)	4,593,097	1,613,487	6,206,584
Income Before Capital Grants	71,217,519	(544,287)	70,673,232
Capital Grants			
HUD capital grants	39,031	-	39,031
State and city grants	749,857	-	749,857
Total Capital Grants	788,888	-	788,888
Capital Contributions	-	1,278,683	1,278,683
Change in Net Assets	72,006,407	734,396	72,740,803
Net Assets - Beginning	209,592,619	(3,133,021)	206,459,598
Prior period adjustment	(1,208,234)	-	(1,208,234)
Net Assets - Beginning, as restated	208,384,385	(3,133,021)	205,251,364
Net Assets - Ending	\$ 280,390,792	\$ (2,398,625)	\$ 277,992,167

See notes to financial statements

Housing Authority of New Orleans

STATEMENT OF CASH FLOWS
Enterprise Fund

Year ended September 30, 2007

	Primary Government
Cash flows from operating activities	
Dwelling rent receipts	\$ 1,955,503
Operating subsidy and grant receipts	212,911,018
Other income receipts	21,350,005
Total receipts	<u>236,216,526</u>
Payments to vendors	(48,774,402)
Payments to employees	(17,982,522)
Housing assistance payments	(58,647,692)
Total disbursements	<u>(125,404,616)</u>
Net cash provided by operating activities	<u>110,811,910</u>
Cash flows from investing activities	
Investment income	6,369,048
Increase in notes receivable	(33,891,400)
Decrease in investments	3,745,017
Advances to affiliated entities	-
Net cash used by investing activities	<u>(23,777,335)</u>
Cash flows from capital and related financing activities	
Capital grants receipts - HUD	4,255,725
Capital asset purchases	(1,028,491)
Insurance proceeds	-
Capital grants - state and city	749,857
City infrastructure costs paid from state and city grants	-
Payment of long-term debt	(20,450,000)
Loan costs paid	-
Interest paid on long-term debt	(1,010,246)
Net cash used by capital and related financing activities	<u>(17,483,155)</u>
NET INCREASE IN CASH	<u>69,551,420</u>
Cash and cash equivalents, beginning	100,184,261
Prior period adjustment	<u>(2,350,449)</u>
Cash and cash equivalents, beginning restated	<u>97,833,812</u>
Cash and cash equivalents, ending	<u><u>\$ 167,385,232</u></u>
Reconciliation to Statement of Net Assets:	
Cash and cash equivalents- unrestricted	\$ 142,690,669
Restricted cash	24,290,995
Resident security deposits	<u>403,568</u>
	<u><u>\$ 167,385,232</u></u>

(continued)

Housing Authority of New Orleans
STATEMENT OF CASH FLOWS - CONTINUED
Enterprise Fund

Year ended September 30, 2007

	<u>Primary Government</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 66,624,422
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	562,640
Changes in asset and liability accounts	
(Increase) decrease in assets	
Accounts receivable - tenants	13,992
Accounts receivable - HUD	16,944,147
Accounts receivable - other	17,195,306
Prepaid expense	(1,026,202)
Inventories	(14,609)
Increase (decrease) in liabilities	
Accounts payable	1,238,481
Accounts payable - HUD	2,731,307
Accrued wages/taxes payable	133,672
Settlements, judgments and contingencies	(2,092,448)
Homebuyers reversers	(1,229,460)
Other current liabilities	(138,484)
Deferred revenue	9,820,033
Tenant security deposits payable	7,898
Accrued compensated absences	41,215
Total adjustments	<u>44,187,488</u>
Net cash provided by operating activities	<u>\$ 110,811,910</u>

See notes to financial statements

Housing Authority of New Orleans
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Housing Authority of New Orleans (HANO or the Authority) is a public body corporate and politic established on September 29, 1936, pursuant to the laws of the State of Louisiana, to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD) and other Federal Agencies. The primary purpose of HANO is to provide safe, decent, sanitary, and affordable housing to low-income, elderly, and disabled families in New Orleans, Louisiana.

Reporting Entity

GASB Statement No. 14, *The Financial Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under the provisions of this Statement, HANO is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments.

HANO is a related organization of the City of New Orleans since Commissioners are appointed by the Mayor of the City of New Orleans. The City of New Orleans is not financially accountable for HANO as it cannot impose its will on HANO and there is no potential for HANO to provide financial benefit to, or impose financial burdens on, the City of New Orleans. Accordingly, HANO is not a component unit of the financial reporting entity of the City of New Orleans. HANO has been determined to be a "Troubled Agency" by HUD, and HUD has appointed a Receiver to act as the Executive Director and has replaced HANO's Board of Commissioners with its own appointed Board.

In determining how to define the reporting entity, management has considered all potential component units. The determination to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the Codification of Governmental Accounting and Financial Reporting Standards and GASB Statement No. 14 (amended) and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. These criteria include manifestation of oversight responsibility; including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

As part of a major redevelopment plan, HANO formed a non-profit corporation and several separate limited liability companies.

Crescent Affordable Housing Corporation (CAHC) was formed in December 2003 as a non-profit membership corporation, in which HANO serves as the sole member, for the purpose of coordinating the development of safe, decent and affordable housing to low and moderate income citizens of New Orleans. CAHC has applied for tax exempt status under Section 501(c)(3) of the Internal Revenue Code (the Code) as a supporting organization under Section 509(a)(3) of the Code, the sole purpose of which is to carry out the affordable housing mission of HANO.

Lune d'Or Enterprises, LLC (Lune d'Or), a Louisiana Limited Liability Company, whose sole member is CAHC, was formed in March 2004. Lune d'Or currently serves as the managing member of four Louisiana limited liability companies, each of which will own a single affordable housing project qualified for low-income housing tax credits. The purpose of the four LLC's is to redevelop or construct mixed income housing. CAHC and HANO will serve as co-developers with respect to these affordable housing projects.

Place D'Genesis, LLC, a Louisiana Limited Liability Company, whose sole member is CAHC, was formed in January of 2007. The purpose of the Limited Liability Company is to acquire, finance, construct, redevelop and rehabilitate affordable and/or market rate housing as a for profit subsidiary and on behalf of CAHC.

Fischer I, LLC, whose sole managing member is Lune d'Or, was formed in March 2004. The Fischer I project will be financed using tax credit equity investments.

Fischer III, LLC, Florida II-A, LLC, and Guste I, LLC's, whose sole managing member is Lune d'Or, were formed in December 2003. The Fischer III, Florida II-A and Guste I projects will be funded with mixed-financing which will include, but not be limited to, funds borrowed pursuant to the Trust Indenture between HANO, JP Morgan Trust Company, NA and the Industrial Development Board of the City of New Orleans, Louisiana, Inc (the Bond Issuer), from the proceeds of the Capital Fund Program Revenue Bonds, Series A of 2003 (the Bonds), tax credit equity investment funds, construction loans from a conventional lender, and Affordable Housing Program grant funds from the Federal Home Loan Bank.

During 2006, the following development projects were awarded tax credits from the Louisiana Housing Finance Agency: Fischer IV-3, LLC; CJ Peete I, LLC; Tchoupitoulas, LLC; Mazant Royal, LLC; Imperial I, LLC; Imperial II, LLC; General Ogden, LLC; B.W. Cooper I, LLC; St. Bernard, LLC; CJ Peete III, LLC; and Guste IIB, LLC. The sole managing member for these entities is Lune

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

d'Or. The carryover for each of the projects was successfully achieved. It was the intention of the Authority to self-develop all of these sites as none of them flooded during Hurricane Katrina. In 2007, it was decided that the cost of these projects at the time were not financially feasible to HANO due to the high cost of property insurance and construction. It has been decided that only Fischer IV-3 and CJ Peete I would go forward with development since they are part of existing phases.

CAHC, Lune d'Or, and Place D'Genesis are component units of HANO and are reported as blended component units. Fischer I, Fischer III, Fischer IV-3, Guste I, Guste IIB, B.W. Cooper I, Imperial Drive I, Imperial Drive II, Tchoupitoulas, Mazant Royal, CJ Peete I, CJ Peete III, St. Bernard, and General Ogden are reported as discretely presented component units of HANO.

HANO has an additional subsidiary/affiliate organization; the HANO Resident Loan Corporation, Inc. Based upon the application of the criteria mentioned above HANO Resident Loan Corporation, Inc. is a discretely presented component unit of HANO.

Programs Administered by HANO

The main programs of HANO are as follows:

- Low-Rent Public Housing under Annual Contributions Contract FW-1190 and related programs for development, modernization, community development, and resident assistance.
- Housing Choice Voucher Program (formerly Section 8 Rental Assistance Program):

Rental Vouchers	FW-2217
Moderate Rehabilitation/Single Room Occupancy	FW-2147
New Construction	FW-2201

- Locally Owned Homeownership Program
- Resident-Managed Low-Rent Public Housing

Basis of Presentations and Accounting

In accordance with both Louisiana State Reporting Law (LAS-R.S.24:514) and uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with United States generally accepted accounting principles (GAAP). The Governmental Accounting

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

Standards Board (GASB) is the accepted standards setting body for establishing accounting and financial reporting standards.

Based upon compelling reasons offered by HUD, HANO reports under the governmental proprietary fund type (enterprise fund), which uses the accrual basis of accounting. The enterprise fund emphasizes the flow of economic resources as a measurement focus. In this fund, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Pursuant to the election option made available by GASB Statement No. 20, *Accounting and Financial Reporting for Propriety Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are applied in the preparation of the financial statements.

The enterprise method is used to account for those operations that are financed and operated in a manner similar to private business, or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income necessary for management accountability is appropriate. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through funding from HUD and charges to residents for rent and other fees.

All of HANO's programs are accounted for as one business-type activity reported in a single enterprise fund.

Budgets

Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a "project length" basis. Budgets are not, however, legally adopted nor legally required for financial statement presentation.

Operating Revenue and Expenses

Operating revenues and expenses consist of revenues earned and expenses incurred as a result of the principal operations of HANO. Operating revenues consist of tenant rents and fees and HUD operating grants. Non-operating revenues consist of investment income and other non-operating revenues. Non-operating expenses consist of interest expense.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, interest-bearing demand deposits, and time deposits and other investments with original maturities of 90 days or less. Under state law, HANO may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments

Investments are recorded at fair value. Investment instruments consist only of items specifically approved for public housing agencies by the U.S. Department of Housing and Urban Development. Investments are either insured or collateralized using the dedicated method. Under the dedicated method of collateralization, all deposits and investments over the federal depository insurance coverage are collateralized with securities held by HANO's agent in HANO's name. It is HANO's policy that all funds on deposit are collateralized in accordance with both HUD requirements and requirements of the State of Louisiana.

Inventories

Inventories are valued at cost using the First-In, First-Out (FIFO) method. If inventory falls below cost due to damage, deterioration, or obsolescence, HANO establishes an allowance for obsolete inventory. HANO uses the consumption method for expense recognition and relies upon its periodic (annual) inventory for financial reporting purposes.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year end are recorded as prepaid items.

Restricted Assets

Certain assets may be classified as restricted assets on the statement of net assets because their use is restricted for modernization programs, security deposits held in trust, family self-sufficiency program escrows, and homebuyers' reserves, among others.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying amount of HANO's financial instruments at September 30, 2007 including cash, investments, accounts receivable, and accounts payable closely approximates fair value.

Capital Assets

All purchased capital assets are valued at cost when historical records are available. When no historical records are available, capital assets are valued at estimated historical cost. Land values were derived from development closeout documentation. Donated capital assets are recorded at their fair value at the time they are received. All normal expenditures of preparing an asset for use are capitalized when they meet or exceed the capitalization threshold.

Pursuant to the enterprise GAAP method, the cost of buildings and equipment is depreciated over the estimated useful lives of the related assets on a composite basis using the straight-line method. Depreciation commences on modernization and development additions in the year following completion, or in the fifth year if the program is 90% complete. The useful lives of buildings and equipment for purposes of computing depreciation are as follows:

Buildings	27 ½ years
Building modernization	10 years
Vehicles	5 years
Equipment	5 years

Maintenance and repairs expenditures are charged to operations when incurred. Betterments in excess of \$5,000 are capitalized. When land, buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

Impairment of Long-Lived Assets

In accordance with GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, the Authority has at September 30, 2007 recognized in the accompanying financial statements the impact of demolition activities and impairment related to the hurricane. Under the provisions of the statement, prominent events or changes in circumstances affecting capital assets are required to be evaluated to determine whether impairment of a capital asset has occurred. Impaired capital assets that will no longer be used should be reported at the lower of carrying value or fair value. Impairment of capital assets with physical damage generally should be measured using the restoration cost approach, which uses the estimated cost to restore the capital asset to identify the portion of the historical cost of the capital asset that should be written-off. In the year ended September 30, 2005, impairment was recorded on the majority of the Authority's capital assets.

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as annual/vacation and sick leave. A liability for compensated absences for annual/vacation leave that is attributable to services already rendered and that is not contingent on a specific event, outside the control of HANO and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of HANO and its employees are accounted for in the period in which such services are rendered or in which such events take place.

Litigation Losses

HANO recognizes estimated losses related to litigation in the period in which the event giving rise to the loss occurs, the loss is probable, and the loss can be reasonably estimated.

Annual Contribution Contracts

Annual Contribution Contracts provide that HUD shall have the Authority to audit and examine the records of public housing authorities. Accordingly, final determination of HANO's financing and contribution status for the Annual Contribution Contracts is determined by HUD based upon financial reports submitted by HANO.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

Risk Management

HANO is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. HANO carries commercial insurance for risks of loss regarding workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years, with the exception of automobile liability insurance claims, which exceed coverage by \$1,600,000. Additionally, there has been no significant reduction in insurance coverage from the prior year. For other risks regarding property and general liability, HANO is self-insured (see notes 9 and 10).

NOTE 2 - DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents

It is the Authority's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. It is HANO's policy to maintain collateralization in accordance with HUD requirements. All balances are collateralized at 102% in accordance with requirements of collateralization agreement.

Investments

Investments consist of certificates of deposits and government securities. It is the policy of the Authority that investments be secured by collateral valued at market or par, whichever is lower, less the amount of FDIC insurance.

Risks

Interest rate risk - The Authority's policy does not address interest rate risk.

Credit rate risk - The Authority's investments consist of certificates of deposits, which do not have credit ratings, and government securities; however, the Authority's policy does not address credit rate risk.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

Custodial credit risk - This is the risk that in the event of a bank failure, the Authority's deposits and investments may not be returned to it. As of September 30, 2007, \$181,371,256 of the Authority's deposits and investments were exposed to this risk because the amounts were in excess of FDIC insurance limits and the accounts were collateralized with securities held by the pledging financial institutions in the Authority's name. The following schedule summarizes the custodial credit risk:

	Balance Reported on the Authority's Financial Statements	Balance Deposited with the Financial Institution	FDIC Insurance	Uninsured Amount (Fully Collateralized)
Bank deposits	\$167,385,232	\$169,988,519	\$ 500,000	\$169,488,519
Funds held by trustees - government securities	3,890,523	3,890,523	-	3,890,523
Certificates of Deposits	<u>7,992,214</u>	<u>7,992,214</u>	<u>-</u>	<u>7,992,214</u>
Total	<u>\$179,267,969</u>	<u>\$181,871,256</u>	<u>\$ 500,000</u>	<u>\$181,371,256</u>

Cash and cash equivalents are reported on the statement of net assets as follows:

Cash and cash equivalents - unrestricted	\$ 142,690,669
Cash and cash equivalents - restricted	24,290,995
Cash and cash equivalents - security deposits	<u>403,568</u>
Total cash and cash equivalents	<u>\$ 167,385,232</u>

Investments are reported on the statement of net assets as follows:

Investments - unrestricted	\$ 7,992,214
Restricted bond and grant funds	<u>3,890,523</u>
	<u>\$ 11,882,737</u>

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

NOTE 3 - RESTRICTED CASH

Restricted cash as of September 30, 2007 consisted of the following:

Orleans Parish School Board Escrow	\$ 64,572
Family self-sufficiency	371,009
FEMA proceeds	9,317,144
Insurance escrow	13,992,552
Other restricted cash	545,718
	<u>\$ 24,290,995</u>

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable as of September 30, 2007 consisted of the following:

Accounts receivable - tenants	\$ 728,939
Allowance for doubtful accounts	<u>(448,538)</u>
Net tenant receivables	280,401
HUD (see note 5 for detail)	387,816
Advances to development projects	6,196,048
Receivable from PHA projects, net	303,285
Receivables of combined component units	263,522
Other	<u>75,706</u>
	<u>\$ 7,506,778</u>

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

NOTE 5 - DUE FROM/TO U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Amounts due from HUD as of September 30, 2007 were as follows:

1996 HOPE VI - St. Thomas	\$ 32,990
2002 HOPE VI - Fischer	32,590
2002 HOPE VI - Guste	145,745
2002 HOPE VI - B.W. Cooper	58,355
2003 CFP	41,962
2004 CFP	14,902
2005 CFP	14,717
2003 Replacement Housing	46,555
	<u>\$ 387,816</u>

Amounts due to HUD as of September 30, 2007 were as follows:

Housing Choice Voucher Program	<u>\$ 3,067,444</u>
	<u>\$ 3,067,444</u>

NOTE 6 - PREPAID EXPENSES

Prepaid expenses as of September 30, 2007 consisted of prepaid insurance of \$1,997,688.

NOTE 7 - NOTES RECEIVABLE

Abundance Square Associates

HANO has a note receivable with Abundance Square Associates, Limited Partnership in the maximum original amount of \$2,577,025. The note was issued to partially finance the construction of public housing, which will be owned and operated by the borrower. Prior to Construction Completion, each advance on the note bore interest at the long-term federal rate applicable on the date of each advance. After Construction Completion, the rate of interest payable on the outstanding principal shall be a blended rate, on a weighted basis, of the average interest rates applicable to each advance. Construction Completion occurred in June 2003 and the blended rate is 4.78%. All principal and accrued interest is due at December 31, 2043. The balance outstanding at September 30, 2007 was \$2,160,508, plus accrued interest receivable of \$391,711.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

Treasure Village Associates

HANO has a note receivable with Treasure Village Associates, Limited Partnership in the maximum original amount of \$1,100,000. The note was issued to partially finance the construction of public housing, which will be owned and operated by the borrower. Prior to Construction Completion, each advance on the note bore interest at the long-term federal rate applicable on the date of each advance. After Construction Completion, the rate of interest payable on the outstanding principal shall be a blended rate, on a weighted basis, of the average interest rates applicable to each advance. Construction Completion occurred in March 2004 and the blended rate is 5.09%. All principal and accrued interest is due at December 31, 2053. The balance outstanding at September 30, 2007 was \$1,100,000, plus accrued interest receivable of \$210,967.

St. Thomas HOPE VI

HANO has a note receivable with LGD Rental I, LLC in the original amount of \$13,360,800. The note was issued to partially finance the rehabilitation and revitalization of HOPE VI apartment complexes. The note accrues interest at 1% per annum. Principal and accrued interest are payable from cash flow, as defined. All principal and accrued interest is due at October 1, 2043. The balance outstanding at September 30, 2007 was \$13,360,800 plus accrued interest of \$534,432.

HANO has a note receivable with LGD Rental I, LLC in the original amount of \$10,519,620. The note was issued to partially finance the rehabilitation and revitalization of HOPE VI apartment complexes. The note accrues interest at 1% per annum. Principal and interest are payable from cash flow, as defined. All principal and accrued interest is due at October 1, 2043. The balance outstanding at September 30, 2007 was \$4,616,230 plus accrued interest of \$184,717.

Guste I, LLC

HANO has a construction mortgage note receivable with Guste I, LLC, a component unit, in the original amount of \$10,634,312. The note accrues interest at 3% per annum. Principal and accrued interest is due at February 1, 2007. The balance outstanding at September 30, 2007 was \$10,634,315 plus accrued interest of \$950,279.

HANO has a program income loan construction mortgage note receivable with Guste I, LLC in the original amount of \$248,999. The note accrues interest at 3% per annum. Principal and accrued interest is due at January 31, 2060. The balance outstanding at September 30, 2007 was \$248,999 plus accrued interest of \$8,016.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

HANO has a supplemental loan agreement with Guste I, LLC in the maximum original amount of \$2,939,498. The note was issued for the purpose of paying cost overruns incurred in the construction of the project. No interest will be charged on this note. Principal shall be payable in monthly installments from surplus cash. Full repayment of any outstanding principal will be due at maturity on November 1, 2061. The balance outstanding at September 30, 2007 was \$2,939,498.

Florida II-A, LLC

HANO has a construction mortgage note with Florida II-A, LLC, a component unit, in the original amount of \$20,876,450. The note accrued interest at 3% per annum. Principal and accrued interest is due at February 1, 2007. In November 2006, the bonds were redeemed and the unpaid balance of the note, with the accrued interest, was forgiven. After recognizing the loss, the balance of the note as of September 30, 2006 was \$13,805,992. Due to severe damage by hurricanes, it was decided Florida IIA was no longer a viable project and all of the related loans have been written off as of September 30, 2007. The balance outstanding at September 30, 2007 was \$0.

HANO has a program income loan construction mortgage note receivable with Florida II-A, LLC in the original amount of \$692,085. The note accrues interest at .05% per annum. Principal and accrued interest is due at January 31, 2060. Due to severe damage by hurricanes, it was decided Florida II-A was no longer a viable project and all of the related loans have been written off as of September 30, 2007. The balance outstanding at September 30, 2007 was \$0.

Fischer I, LLC

HANO has a program income loan construction mortgage note receivable with Fischer I, LLC, a component unit, in the original amount of \$196,300. The note accrues interest at .05% per annum. Principal and accrued interest is due at January 31, 2060. The balance outstanding at September 30, 2007 was \$196,300 plus accrued interest of \$2,701.

HANO has a capital fund loan with Fischer I, LLC. The loan bears interest at the applicable federal rate. All unpaid principal and interest is due on January 31, 2060. Payments on the loan are paid with surplus cash. The outstanding balance at September 30, 2007 was \$1,424,059 plus accrued interest of \$66,646.

HANO has a supplemental loan agreement with Fischer I, LLC in the maximum original amount of \$130,000. The note was issued for the purpose of paying cost overruns incurred in the construction of the project. No interest will be charged on this note. Principal shall be payable in monthly

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

installments from surplus cash. Full repayment of any outstanding principal will be due at maturity on November 1, 2061. The balance outstanding at September 30, 2007 was \$130,000.

Fischer III, LLC

HANO has a construction mortgage note receivable with Fischer III, LLC, a component unit, in the original amount of \$14,710,628. The note accrues interest at 3% per annum. Principal and accrued interest is due at February 1, 2007. The balance outstanding at September 30, 2007 was \$14,710,628 plus accrued interest of \$1,308,722.

HANO has a program income loan construction mortgage note receivable with Fischer III, LLC in the original amount of \$344,314. The note accrues interest at .05% per annum. Principal and accrued interest is due at January 31, 2060. The balance outstanding at September 30, 2007 was \$344,314 plus accrued interest of \$4,736.

HANO has a supplemental loan agreement with Fischer III, LLC in the maximum original amount of \$3,064,919. The note was issued for the purpose of paying cost overruns incurred in the construction of the project. No interest will be charged on this note. Principal shall be payable in monthly installments from surplus cash. Full repayment of any outstanding principal will be due at maturity on November 1, 2061. The balance outstanding at September 30, 2007 was \$3,064,919.

B.W. Cooper I, LLC

HANO has a predevelopment loan agreement with B.W. Cooper I, LLC, a component unit, in the maximum original amount of \$1,500,000. The note will accrue interest monthly at a rate of 4.89%. Unpaid principal and all accrued and unpaid interest will be due at the earlier of equity and construction loan closing or December 31, 2007. On September 24, 2007, the maturity date was extended to December 31, 2008. The balance outstanding at September 30, 2007 was \$1,500,000. Accrued interest at this date is \$67,238.

HANO has a developer services agreement with B.W. Cooper I, LLC in the maximum original amount of \$10,926,688. The note will be come due based on certain events that occur during construction. No interest will be accrued on this note. Unpaid principal will be due as close to the date the amounts are earned by HANO as possible; all unpaid principal will be due at maturity on December 31, 2019. The balance outstanding at September 30, 2007 was \$8,874,006.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

St. Bernard I, LLC

HANO has a predevelopment loan agreement with St. Bernard I, LLC, a component unit, in the maximum original amount of \$1,500,000. The note will accrue interest monthly at a rate of 4.89%. Unpaid principal and all accrued and unpaid interest will be due at the earlier of equity and construction loan closing or December 31, 2007. On September 24, 2007, the maturity date was extended to December 31, 2008. The balance outstanding at September 30, 2007 was \$1,500,000. Accrued interest at this date is \$67,238.

HANO has a developer services agreement with St. Bernard I, LLC in the maximum original amount of \$11,359,118. The note will be come due based on certain events that occur during construction. No interest will be accrued on this note. Unpaid principal will be due as close to the date the amounts are earned by HANO as possible; all unpaid principal will be due at maturity on December 31, 2019. The balance outstanding at September 30, 2007 was \$11,359,118.

Guste IIB, LLC

HANO has a predevelopment loan agreement with Guste IIB, LLC, a component unit, in the maximum original amount of \$1,300,000. The note will accrue interest monthly at a rate of 4.89%. Unpaid principal and all accrued and unpaid interest will be due at the earlier of equity and construction loan closing or December 31, 2007. At December 31, 2007 the loan was not repaid or extended. During 2008, \$1,166,470 was paid on accrued interest and principal. The balance outstanding at September 30, 2007 was \$1,300,000. Accrued interest at this date is \$58,273.

Fischer IV Part 3, LLC

HANO has a predevelopment loan agreement with Fischer IV Part 3, LLC in the maximum original amount of \$1,300,000. The note will accrue interest monthly at a rate of 4.89%. Unpaid principal and all accrued and unpaid interest will be due at the earlier of equity and construction loan closing or December 31, 2007. At December 31, 2007 the loan was not repaid or extended. During 2008, \$884,466 was paid on accrued interest and principal. The balance outstanding at September 30, 2007 was \$1,300,000. Accrued interest at this date is \$58,273.

C.J. Peete I, LLC

HANO has a predevelopment loan agreement with C.J. Peete I, LLC, a component unit, in the maximum original amount of \$1,500,000. The note will accrue interest monthly at a rate of 4.89%.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

Unpaid principal and all accrued and unpaid interest will be due at the earlier of equity and construction loan closing or December 31, 2007. The balance outstanding at September 30, 2007 was \$1,500,000. Accrued interest at this date is \$67,238.

C.J. Peete III, LLC

HANO has a predevelopment loan agreement with C.J. Peete III, LLC, a component unit, in the maximum original amount of \$1,500,000. The note will accrue interest monthly at a rate of 4.89%. Unpaid principal and all accrued and unpaid interest will be due at the earlier of equity and construction loan closing or December 31, 2007. On September 24, 2007, the maturity date was extended to December 31, 2008. The balance outstanding at September 30, 2007 was \$1,500,000. Accrued interest at this date is \$67,238.

HANO has a developer services agreement with C.J. Peete III, LLC, a component unit, in the maximum original amount of \$11,108,424. The note will be come due based on certain events that occur during construction. No interest will be accrued on this note. Unpaid principal will be due as close to the date the amounts are earned by HANO as possible; all unpaid principal will be due at maturity on December 31, 2019. The balance outstanding at September 30, 2007 was \$7,308,754.

General Ogden, LLC

HANO has a predevelopment loan agreement with General Ogden, LLC, a component unit, in the maximum original amount of \$700,000. The note will accrue interest monthly at a rate of 4.89%. Unpaid principal and all accrued and unpaid interest will be due at the earlier of equity and construction loan closing or December 31, 2007. At December 31, 2007 the loan was not repaid or extended. During 2008, \$269,165 was paid on accrued interest and principal. The balance outstanding at September 30, 2007 was \$700,000. Accrued interest at this date is \$31,378.

Imperial Drive I, LLC

HANO has a predevelopment loan agreement with Imperial Drive I, LLC, a component unit, in the maximum original amount of \$700,000. The note will accrue interest monthly at a rate of 4.89%. Unpaid principal and all accrued and unpaid interest will be due at the earlier of equity and construction loan closing or December 31, 2007. At December 31, 2007 the loan was not repaid or extended. During 2008, \$401,591 was paid on accrued interest and principal. The balance outstanding at September 30, 2007 was \$700,000. Accrued interest at this date is \$31,378.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

Imperial Drive II, LLC

HANO has a predevelopment loan agreement with Imperial Drive II, LLC, a component unit, in the maximum original amount of \$700,000. The note will accrue interest monthly at a rate of 4.89%. Unpaid principal and all accrued and unpaid interest will be due at the earlier of equity and construction loan closing or December 31, 2007. At December 31, 2007 the loan was not repaid or extended. During 2008, \$431,844 was paid on accrued interest and principal. The balance outstanding at September 30, 2007 was \$700,000. Accrued interest at this date is \$31,378.

Mazant Royal, LLC

HANO has a predevelopment loan agreement with Imperial Mazant Royal, LLC, a component unit, in the maximum original amount of \$700,000. The note will accrue interest monthly at a rate of 4.89%. Unpaid principal and all accrued and unpaid interest will be due at the earlier of equity and construction loan closing or December 31, 2007. At December 31, 2007 the loan was not repaid or extended. During 2008, \$454,613 was paid on accrued interest and principal. The balance outstanding at September 30, 2007 was \$700,000. Accrued interest at this date is \$31,378.

Tchoupitoulas, LLC

HANO has a predevelopment loan agreement with Tchoupitoulas, LLC, a component unit, in the maximum original amount of \$700,000. The note will accrue interest monthly at a rate of 4.89%. Unpaid principal and all accrued and unpaid interest will be due at the earlier of equity and construction loan closing or December 31, 2007. At December 31, 2007 the loan was not repaid or extended. During 2008, \$460,456 was paid on accrued interest and principal. The balance outstanding at September 30, 2007 was \$700,000. Accrued interest at this date is \$31,378.

Providence Enterprise Orleans, LLC

HANO has a predevelopment agreement with Providence Enterprise Orleans, LLC to be used for the predevelopment activities for the Lafitte property redevelopment. The maximum original amount of the note is \$9,296,255. HANO will advance money to the property pursuant to requests for disbursement. No interest will be accrued on this note. An amendment to the original note has extended the maturity date to December 31, 2007, at which point all unpaid principal will be due. The balance outstanding at September 30, 2007 was \$699,211.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

An allowance has been recorded to represent the uncollectibility of the predevelopment loans to CJ Peete I, LLC; Mazant Royal, LLC; Imperial Drive I, LLC; Imperial Drive II, LLC; Tchoupitoulas, LLC; Guste IIB, LLC; Fischer IV Part 3, LLC; and General Ogden, LLC.

	Non-Current	
	Notes Receivable	Accrued Interest
Abundance Square	\$ 2,160,508	\$ 391,711
Treasure Village	1,100,000	210,967
LGD	13,360,800	534,432
LGD	4,616,230	184,717
Guste I	13,822,812	958,295
Fischer I	1,750,359	69,347
Fischer III	18,119,861	1,313,458
B.W. Cooper I	10,374,006	67,238
St. Bernard I	12,859,118	67,238
Guste IIB	1,300,000	58,273
Fischer IV Part 3	1,300,000	58,273
CJ Peete I	1,500,000	67,238
CJ Peete III	8,808,754	67,238
General Ogden	700,000	31,378
Imperial Drive I	700,000	31,378
Imperial Drive II	700,000	31,378
Mazant Royal	700,000	31,378
Tchoupitoulas	700,000	31,378
Providence Enterprise Orleans	699,208	-
	<u>\$ 95,271,656</u>	<u>\$ 4,205,315</u>
Allowance for doubtful accounts	<u>(2,573,778)</u>	
	<u>\$ 92,697,878</u>	

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

NOTE 8 - LAND, BUILDINGS, AND EQUIPMENT

	Balance October 1, 2006	Additions	Transfers and Deletions	Balance September 30, 2007
Land	\$ 40,828,991	\$ 24,166	\$ -	\$ 40,853,157
Buildings	13,793,205	-	435,561	14,228,766
Equipment - dwelling	181,496	-	-	181,496
Equipment - administration	49,890	35,587	-	85,477
Construction in progress	12,011,081	791,062	(435,561)	12,366,582
	66,864,663	850,815	-	67,715,478
Accumulated depreciation	(537,870)	(562,640)	-	(1,100,510)
Total	<u>\$ 66,326,793</u>	<u>\$ 288,175</u>	<u>\$ -</u>	<u>\$ 66,614,968</u>

NOTE 9 - ACCRUED CONTINGENT LIABILITIES AND SETTLEMENTS

Judgments and settled claims	\$ 25,240,185
Other noncurrent liabilities:	
Homebuyers' reserve liability	805,830
Other	<u>3,611</u>
	<u>809,441</u>
	<u>\$ 26,049,626</u>

NOTE 10 - RISK MANAGEMENT

As stated in note 1, HANO is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets for which HANO is self-insured for general liability, workers' compensation claims, fire and extended coverage.

Due to funding shortfalls, HANO has been unable to fund its self insurance fund in accordance with state law requirements. Additionally, paragraph 22 of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issue*, states in part: *A liability for*

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

unpaid claims costs, including estimates of costs related to incurred but not reported (INBR) claims should be accrued when insured events occur. Due to budgetary shortfalls, HANO has not had an analysis performed to identify IBNR, nor has HANO established a liability for these potential claims. With the events of Hurricane Katrina, HANO anticipates realization of significant losses associated with shortfalls in coverage as well as unfunded reserves. These amounts are expected to be recognized and recorded for the fiscal year ended September 30, 2009.

HANO is a defendant in various lawsuits in which a probable loss to HANO has been estimated. This estimate has been recorded in the financial statements as shown in note 9, above.

HANO is also a defendant in various lawsuits related to accidents and injuries on HANO properties, for which no probability of outcome has been determined. In addition, HANO is a defendant in a class action lawsuit regarding alleged lead-based paint poisoning. No estimate of probable loss has been made in this regard.

NOTE 11 - COMPENSATED ABSENCES PAYABLE

HANO has established a policy (in accordance with State Civil Service regulations) to pay each employee his or her accrued annual leave upon termination up to a maximum of 300 hours. The cost of current leave privileges, computed in accordance with GASB codification Section C60, is recognized as a current year expense in the period in which it is earned, in accordance with generally accepted accounting principles.

At September 30, 2007, total leave to be paid upon termination is \$1,301,449. Of this amount, \$206,347 is deemed to be a current liability.

NOTE 12 - LONG-TERM DEBT

Pursuant to a Trust Indenture between HANO, the Industrial Development Board of the City of New Orleans, Louisiana, Inc. and J.P. Morgan Trust Company, NA dated December 1, 2003, bonds in the amount of \$49,250,000 titled "Capital Fund Program Revenue Bonds Series A of 2003" have been issued. The proceeds of the bonds were used to finance loans to fund a portion of the construction and development costs of three affiliated entities: Guste I, LLC, Florida II-A, LLC and Fischer III, LLC. The portion of the bonds related to Florida II-A, LLC were redeemed during 2007 in the amount of \$21,700,000. The managing member of each of these affiliates is Lune d'or Enterprises, LLC, whose sole member is Crescent Affordable Housing Corporation. As discussed in note 1, HANO is the sole member of Crescent Affordable Housing Corporation.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

The bonds bear interest at a rate of 4.45% and require interest payable each June 1st and December 1st. Principal payments of varying amounts are due annually beginning December 1, 2004, with a final maturity date of December 1, 2023.

HANO, with the approval of HUD, has pledged a portion of its Replacement Housing Factor funds (a component of its annual Capital Fund grants from HUD) as security for payment of principal and interest on the bonds.

Aggregate annual debt service requirements for the bonds are as follows:

Year ending September 30,	Principal	Interest	Total
2008	\$ 1,930,000	\$ 925,823	\$ 2,855,823
2009	2,035,000	837,601	2,872,601
2010	1,470,000	759,615	2,229,615
2011	865,000	707,661	1,572,661
2012	905,000	668,279	1,573,279
2013-2017	5,160,000	2,686,688	7,846,688
2018-2022	6,425,000	1,402,751	7,827,751
2023-2024	2,980,000	133,945	3,113,945
	<u>\$ 21,770,000</u>	<u>\$ 8,122,363</u>	<u>\$ 29,892,363</u>

NOTE 13 - TIF BOND PAYMENTS

As part of HANO's revitalization plans, the City of New Orleans agreed to issue Tax Increment Financing (TIF) Bonds to be used by HANO to support these endeavors. HANO has no responsibility to repay the TIF Bonds, except to the extent that reserve funds were established from the City's grant to HANO to make payments in the event that the pledged sales tax revenues were insufficient to make the required TIF Bond payments. The TIF Bonds are to be repaid from sales tax proceeds generated from a new retail store constructed in one of the neighborhoods HANO is working to revitalize. Because of Hurricane Katrina and the resulting flooding, the store was unable to operate for several months and consequently did not generate any sales taxes to be used to make principal and interest payments on the TIF Bonds. The bonds also had a provision that the store had to hit certain sales figures by October 2006. The sales figures were not achieved due to Katrina; therefore, the bonds had to be refunded. Consequently, \$3,414,852 of reserve funds that had been established in case there was a shortfall in sales tax revenues from this project were used to make

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

payments of principal and interest on the TIF Bonds during the year ended September 30, 2007. This expenditure is reported in the financial statements as a non-operating expense.

NOTE 14 - DEFINED CONTRIBUTION PENSION PLAN

HANO provides pension benefits for all its full-time employees through a defined contribution plan entitled "Housing Authority of New Orleans Pension Plan". The plan is administered by the Pension Plan Committee and was revised in November 2004. The Pension Plan Committee consists of employees of HANO. As a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investments earnings. The Board of Commissioners for HANO is authorized to establish and amend plan benefits. Employees are eligible to participate after one hour of service.

HANO contributes 5% of the employee's base salary each month, while the employee contributes a mandatory $\frac{1}{2}$ of 1% of his or her gross wages. HANO's contributions for each employee, and interest allocated to the employee's account, are fully vested after 3 years of service. Interest forfeited, either as a result of death or employees who leave employment prior to being vested, is apportioned among all participants in the plan year in which the forfeiture occurs.

HANO's total payroll in fiscal years 2007, 2006, and 2005 was \$10,730,043, \$11,185,179, and \$20,399,585, respectively. The contributions of HANO and employees were calculated using \$9,764,339, \$10,821,971, and \$14,387,482, respectively. HANO and the employees made contributions amounting to \$488,217 and \$35,102; \$513,026 and \$27,027; and \$610,266 and \$120,842; respectively.

NOTE 15 - ECONOMIC DEPENDENCY

HANO received approximately 93% of its revenues from the federal government in the fiscal year. If the amount of revenues received from HUD falls below critical levels, HANO's operating results could be adversely affected.

NOTE 16 - CONTINGENCIES

HANO is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to HANO in the current and prior years. There were no such examinations for the year ended September 30, 2007.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

NOTE 17 - ANNUAL CONTRIBUTIONS CONTRACT FW-1190

Annual Contributions Contract FW-1190

Pursuant to the Annual Contributions Contract, HUD contributes an operating subsidy approved in the operating budget. Operating subsidy contributions for the year ended September 30, 2007 were \$22,208,613 for HANO managed Low-Rent Public Housing Program and \$7,564,069 for the Resident Managed Low-Rent Public Housing Program.

Annual Contributions Contracts

Housing Choice Voucher Program Annual Contributions Contracts provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The program provides for such payments with respect to existing and moderately rehabilitated housing covering the difference between the maximum rental on a dwelling unit and the amount of rent contribution by a participating family and related administrative expense.

HUD contributions for the year ended September 30, 2007 were as follows:

FW-2217 Rental Vouchers	\$ 73,674,328
-------------------------	---------------

NOTE 18 - COMMITMENTS

HANO is engaged in a modernization and development program and has entered into construction-type contracts with approximately \$8,137,692 remaining until completion.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2007

NOTE 19 - RESTRICTED NET ASSETS

Restricted net assets at September 30, 2007 consisted of the following:

Unspent proceeds from City of New Orleans	
Tax Increment Financing Bonds	\$ 3,596
Public housing escrow and scholarship fund	64,572
Unspent grant from the City of New Orleans plus accrued interest in excess of deferred revenue	678,778
Notes receivable plus accrued interest	<u>71,330,648</u>
	<u>\$ 72,077,594</u>

NOTE 20 - PRIOR PERIOD ADJUSTMENT

The accompanying financial statements include a prior period adjustment to correct errors in the September 30, 2006 financial statements. The following is a recap of the components of the prior period adjustments.

Resident management corporations	\$ (2,166,087)
Notes receivable	1,142,215
Other	<u>(184,362)</u>
	<u>\$ (1,208,234)</u>

Resident management corporations - amounts relate to assets of the resident management corporations that were recorded on HANO's books that were determined to be the separate assets of the resident management corporations and not HANO.

Notes receivable - amounts related to expenditures from the capital fund that were previously expensed but actually were payments to various component units that should have been recorded as notes receivable.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
The Housing Authority of New Orleans

We have audited the basic financial statements of the Housing Authority of New Orleans (HANO) as of and for the year ended September 30, 2007, and have issued our report thereon dated December 19, 2008, which report was qualified for the potential liabilities for incurred but not reported claims, and our inability to examine records related to the activities at one of HANO's public housing sites, as described in the third paragraph therein. Our report was modified to include a reference to other auditors. Except as discussed in the first sentence to this paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. As described in our report on HANO's financial statements, other auditors audited the financial statements of the following discretely presented component units: Fischer I, LLC and Fischer III, LLC. The financial statements of the aforementioned discretely presented component units were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered HANO's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. Significant deficiencies are described in the accompanying Schedule of Findings and Questioned Costs as items 2007-2, 2007-3, and 2007-9.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. However, of the significant deficiencies described above we considered items 2007-1, 2007-3, and 2007-9 to be material weaknesses.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HANO's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, which is described in the accompanying Schedule of Findings and Questioned Costs as items 2007-2 and 2007-4.

This report is intended solely for the information and use of the Board of Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Reznick Group, P.C.

Charlotte, North Carolina
December 19, 2008

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
The Housing Authority of New Orleans

Compliance

We have audited the compliance of the Housing Authority of New Orleans with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2007. The Housing Authority of New Orleans' major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of New Orleans' management. Our responsibility is to express an opinion on Housing Authority of New Orleans' compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of New Orleans' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority of New Orleans' compliance with those requirements.

As described in items 2007-5 to 2007-9 in the accompanying Schedule of Findings and Questioned Costs, the Housing Authority of New Orleans did not comply with requirements regarding major federal programs as follows:

<u>Major Federal Program</u>	<u>Compliance Requirement</u>
Low-Rent Public Housing	Reporting Eligibility Equipment and Rental Property Management Cash Management
Housing Choice Voucher Program - Vouchers	Eligibility Reporting
Capital Fund	Reporting
Disaster Voucher Program	Reporting
Disaster Housing Assistance Program	Reporting



Compliance with such requirements is necessary, in our opinion, for the Housing Authority of New Orleans to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Housing Authority of New Orleans complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of the Housing Authority of New Orleans is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority of New Orleans's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a major program that is more than inconsequential will not be prevented or detected. Significant deficiencies are described in the accompanying schedule of findings and questioned costs as items 2007-8 and 2007-9.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a major program will not be prevented or detected. However, of the significant deficiencies described above, we consider items 2007-8 and 2007-9 to be material weaknesses.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Reznick Group, P.C.

Charlotte, North Carolina
December 19, 2008

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2007

Summary of Auditors' Results

1. The auditors' report expresses a qualified opinion on the basic financial statements of the Housing Authority of New Orleans.
2. Significant deficiencies and material weaknesses were identified during the audit of the basic financial statements.
3. Instances of noncompliance material to the basic financial statements of the Housing Authority of New Orleans were disclosed during the audit.
4. Significant deficiencies and material weaknesses were identified during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the Housing Authority of New Orleans expresses a qualified opinion.
6. Audit findings relative to the major federal award programs for the Housing Authority of New Orleans are reported in this schedule.
7. The programs tested as major programs include:
 - CFDA #14.850 Low-Rent Public Housing
 - CFDA #14.872 Capital Fund Program
 - CFDA #14.871 HCVP - Voucher
 - CFDA #14.DVP Disaster Voucher Program
 - CFDA #97.049 Disaster Housing Assistance Program
8. The threshold for distinguishing Type A and B programs was \$3,000,000.
9. The Housing Authority of New Orleans did not qualify as a low-risk auditee.

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

September 30, 2007

Findings - Financial Statements Audit

2007 - 1 Processing of Vendor Invoices

Type of finding: Internal control - significant deficiency - material weakness

Condition: Many of the disbursements selected for testing were lacking proper approval on the check request and/or invoice. Performance of invoice verification procedures such as comparing the invoice to the purchase order and receiving reports, re-computing extensions and footings, and verifying discount and freight terms are not indicated on the face of the invoice. This matter relates to finding 2006-2, 2005-2, 2004-2, and 2003-3, which remains unresolved as of year-end.

Cause: The Authority does not have documented policies and procedures in place to dictate appropriate steps for the accounts payable clerks.

Criteria: In order to have safeguards over cash and prevent potential misuse of federal funds there should be a written policy regarding the proper procedures for cash disbursements.

Auditors' Recommendation: We recommend that performance of invoice verification procedures and management approvals for payment be documented on the face of the invoice. Invoices could be stamped with places to document the performance of these procedures with the initials of the person performing the procedures and the date the procedures were performed.

Management's Response:

Management will require personnel involved in the processing of invoices to initial the invoices to evidence that each invoice verification procedure is performed.

2007 - 2 Audit Engagement Completion

Type of finding: Compliance

Condition: Required annual audited financial statement filings with HUD's REAC and with the Louisiana Legislative Auditor were not made by the required filing deadlines. The deadline for the final REAC filing is nine months after the close of the fiscal year-end (June 30, 2008), and the deadline for filing with the Louisiana Legislative Auditor is six months

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

September 30, 2007

after the close of the fiscal year-end (March 31, 2008).

Cause: Due to the loss of records caused by Hurricane Katrina and changes in accounting personnel, HANO's staff and external contractor had many obstacles to overcome in getting the records compiled so that an audit could be performed.

Criteria: The Authority is required by REAC and the Louisiana Legislative Auditor to file by required deadlines.

Auditors' Recommendation: We recommend that HANO take steps to insure that its records are in a condition which allows an audit to be completed by the filing deadlines.

Management's Response:

Management agrees with the recommendation. The circumstances cited as causes, above, significantly delayed the timely completion of the 2006 audit and, impacted the timing of the 2007 audit, albeit to a lesser extent, since the Katrina factor will not apply. The challenge is to deliver on deadlines established by the Louisiana Legislative Auditor with significantly reduced headcount.

2007 - 3 Unsecured Check Stock

Type of finding: Internal control - significant deficiency - material weakness

Condition: The room where HANO keeps its blank check stock was left unlocked and unattended. Auditor also noted that the key to this room was lost during a significant amount of the time during the five weeks that we were on site. This matter relates to finding 2006-4 and 2005-4, which remains unresolved as of year-end.

Cause: The Authority does not enforce policies stating that check stock should be secured.

Criteria: The Authority is required to safeguard assets against potential theft.

Auditor's Recommendation: The check stock should be placed in a lockable cabinet or whenever the room is unattended the door should be locked.

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

September 30, 2007

Management's Response:

Management has instituted the following procedures to provide adequate control over the blank check stock:

- 1. The room is now locked whenever checks are not being processed.*
- 2. Two individuals who are independent of the check processing function keep the keys to this room and unlock the room when requested.*

2007 - 4 Underfunded Self Insurance Fund

Type of finding: Compliance

Condition: HANO has been unable to fund its self insurance fund in accordance with state law requirements. This matter relates to finding 2006-5 and 2005-5, which remains unresolved as of year-end.

Cause: The Authority experienced funding shortfalls during the fiscal year and expects to realize significant losses associated with the shortfalls in coverage and unfunded reserves as a result of Hurricane Katrina. The Authority has not had an analysis performed to identify incurred but not reported claims, nor has the Authority established a liability for these potential claims.

Criteria: The Authority is required to fund self insurance in accordance with state law requirements, which state that a liability for unpaid claims costs, including estimates of costs related to incurred but not reported claims should be accrued when insured events occur.

Auditor's Recommendation: The Authority should fund the self insurance to at least the minimum required by the state annually and should calculate and record related liability.

Management's Response:

HANO considers its lack of reserves a serious matter and is working diligently to find solutions. We have procured a risk management company and they have begun the process of reviewing claims and assessing liability. They are also working on helping HANO develop policies and procedures over the administration of Risk. As part of this contract, once all

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

September 30, 2007

claims data has been reviewed and documented, the data will be provided to an actuary who will then calculate a claims liability for the Agency. HANO at that time will evaluate the report and establish a reserve accordingly. Management anticipates that this process will be completed during fiscal 2009.

Findings and Questioned Costs - Major Federal Awards Programs Audit

CFDA # 14.871 Housing Choice Voucher Program - Vouchers

2007 - 5 Voucher Client Files

Type of Finding: - Compliance- Eligibility

Condition: Of the 30 voucher client files tested, the following deficiencies were noted:

- 12 of the files were missing inspections
- 5 of the files were missing the HUD form 50058, Family Reports in the file however the forms were provided later.

Cause: HANO has not adequately monitored its housing choice voucher program to ensure that income certifications and inspections were performed timely and that all forms and required documentation are properly obtained and retained in files.

Criteria: HANO is required by HUD to provide sufficient documentation that individuals receiving benefits under the Housing Choice Voucher program and the Disaster Voucher Program are eligible under the program rules. HANO is also required to perform annual inspection of units rented under the Housing Choice Voucher program and the Disaster Voucher Program to ensure that they provide decent, safe and sanitary housing for program participants.

Auditor's Recommendation: We recommend that HANO establish procedures to ensure that documents are retained and that inspections are performed.

Management's Response:

HANO has developed and implemented processes to ensure that the current inspections Contractor receives an Annual Inspections database every two (2) months to ensure each unit under contract is inspected annually. During the 2009 calendar year, the Housing Authority of New Orleans' in-house Inspectors will schedule 10 percent of the total lease up

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

September 30, 2007

number for Quality Control inspections. Moving forward, HANO Inspectors will have a total of 30 units to inspect monthly. As the lease-up figures continue to increase, the number of Quality Control inspections will increase to a minimum of 10%.

The Agency's focus has been to conduct an annual re-certification for every program participant, annual inspections for every contracted unit, accurate PIC reporting, and timely financial submissions through VMS - all by December 31, 2008, as mandated by HUD. While we have focused on the above referenced mandates, plans and staffing adjustments have been made to begin the 2009 calendar year in full compliance with all Federal HCVP program requirements. This planning process has led to numerous changes, includes but not limited to, staffing and training an internal quality assurance team, converted to a more effective software system, establishing a Customer Relations Department, use of new rent reasonableness system, procurement of an ongoing staff training contract, purchasing a new file system, complete file format conversion, hiring additional staff, and a renewed focus on providing quality customer service.

Total questioned costs for CFDA #14.871 Housing Choice
Voucher Program - Vouchers \$ 0

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

September 30, 2007

CFDA # 14.850 Low-Rent Public Housing - Operating Subsidy

2007 - 6 Tenant Lease File Errors

Type of Finding: - Compliance - Eligibility

Condition: Of the 39 lease files tested, the following deficiencies were noted:

- 3 did not contain a HUD form 50058, Family Reports for the period under audit
- 7 of the files were missing move-in/move out inspections
- 19 were missing release form for criminal background checks
- 5 were missing a copy of a tenant's social security card or the information did not match HUD form 50058
- 13 files were missing proper income and asset verification with proper backup support for amounts matching HUD form 50058
- 3 files did not have income verifications performed timely and signed by tenant
- 7 files were missing tenant signed HUD form 9886
- 4 files were destroyed by vandals and could not be provided
- 1 was lacking a HANO signature on the income verification forms

This matter relates to finding 2006-6, which remains unresolved as of year-end.

Cause: HANO has not adequately monitored its public housing program to ensure that income certification, inspections and other required documents are prepared timely and properly obtained and retained in files.

Criteria: HANO is required by HUD to provide sufficient documentation that individuals receiving housing under the Low-Rent Public Housing program are eligible to participate in the program.

Auditor's Recommendation: We recommend that HANO establish procedures to ensure that all eligibility determinations are performed and documents are retained.

Management's Response:

The Housing Authority of New Orleans (HANO) acknowledges Findings, with one exception, noted in the 2007 Audit Report. The acknowledgement is made with the understanding that very pertinent mitigating factors affected agency operations during the audit period. As you

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

September 30, 2007

are aware the most significant factor was the devastation and disruption in operations caused by hurricane Katrina. The storm disrupted all spectrums of performance and functionality at HANO. Despite the disruptions, HANO has strived to return its operations to normalcy. To this end we have identified management tools to restore and remedy deficiencies identified in the audit report. Please note the following:

Condition: Of the 36 lease files tested, the following deficiencies were noted:

- ***Three (3) did not contain a HUD form 50058, Family Reports for the period under audit***

The Housing Authority of New Orleans will ensure that all recertification's are completed timely, resulting in the production of 50058's. HANO staff is required to print and file the 50058 within each resident's folder immediately upon completion of the recertification.

- ***Seven (7) were missing move in / move out inspections***

The Housing Authority of New Orleans has reinstituted file maintenance and audit procedures which will ensure copies of all inspections are maintained in resident folders. Additionally, HANO has re-implemented monthly sample audits to assure files are maintained in accordance with federal Regulations.

- ***Nineteen (19) were missing release form for criminal background checks***

The Housing Authority of New Orleans is requiring all staff and 3rd party management companies to have each resident over the age of 18 sign a criminal background check release form, with the assurance that each form is filed within each resident's file. This requirement will be monitored thru quality control audits on a monthly basis.

- ***Five (5) were missing a copy of a tenant's social security card or the information did not match HUD form 50058***

The Housing Authority of New Orleans will require all staff and 3rd party companies to have a legible copy of the Social Security card and birth certificate in all client files. This requirement will be monitored thru quality control audits on a monthly basis.

- ***Thirteen (13) were missing income verification support or the verification was not performed timely***

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

September 30, 2007

The Housing Authority of New Orleans has reinstituted file maintenance and audit procedures which illustrates how staff and 3rd party management companies will maintain resident folders. Additionally, HANO has re-implemented monthly sample audits to assure files are maintained in accordance with federal Regulations.

- ***Seven (7) were missing HUD form 9886, Authorization for Release of Information***

The Housing Authority of New Orleans will require all staff and 3rd party management companies to execute two 9886 authorization forms to assure one is maintained within the files when the other is issued with the verification form.

- ***Four (4) were destroyed by vandals and could not be provided***

The Housing Authority of New Orleans has recovered and restored its filing system while recovering from the effects of Hurricane Katrina. The files are kept in a locked and limited access area to prevent vandalism. Additionally, the missing files have been replaced with proper documentation.

- ***One (1) was lacking a HANO signature on the income verification forms***

The Housing Authority of New Orleans disagrees with the inclusion of this item in the audit report. Please note that the Agency requires that all staff and 3rd party management companies complete and sign all documents (rent option, verifications, leases, Notice of Rent Change, etc.) at the conclusion of the recertification interview. We acknowledge that the auditor noted one instance (file) out of the sample size (36) where forms were not signed. However, considering the fact that only one file lacked a signature we do not believe that this instance should be noted in the report.

2007 - 7 Accounting for the Activities of the Resident Management Corporations

Type of Finding: - Compliance - Cash Management

Condition: The Authority has two developments under Resident Management Corporation (RMC) agreements that are also under separate Operating Fund Formulas. HANO provides contract administration and oversight to the RMCs as owner of the properties. In doing so, the Authority provides monthly subsidy allocations to the Guste and Cooper RMCs. To record these advances in the appropriate sub-ledger for the respective RMC, the Authority debits an account titled Undistributed Expenses. When the RMC provides an accounting of

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

September 30, 2007

its expenditures, the undistributed account is supposed to be cleared out and the appropriate accounts (generally expense accounts) are debited. In the current year this account was not cleared out and expenses were not recorded appropriately. This accounting entails an annual reconciliation between each RMC's trial balance and the records of the Authority. Supporting documentation and required annual audits are not provided in a timely manner in accordance with the terms of the contracts with the RMCs. This matter relates to finding 2006-7 and 2005-7.

In addition to not providing proper supervision, both of the RMC agreements are currently out of date and HANO continues to provide support with expired agreements.

Cause: HANO does not provide oversight to the RMCs.

Criteria: HANO should have procedures to ensure that the funds spent by the RMCs are sufficiently monitored so that HUD funds are being spent and accounted for in accordance with HUD regulations. HANO also is required to have current agreements with the RMCs.

Auditor's Recommendation: We recommend that the Authority enforce the terms of the contracts with the RMCs, which will result in a complete accounting for and monitoring of each RMCs activities. We also recommend that HANO draft new agreements for both RMCs and get both entities to sign and agree.

Management's Response:

Management is committed to ensuring that the responsibilities of the parties are executed in accordance with the contracts. To this end, management will reconcile the accounts on a quarterly basis.

2007 - 8 Inventory of Fixed Assets

Type of finding: - Internal control - significant deficiency - material weakness
- Compliance - Equipment and Real Property Management

Condition: HANO was unable to produce a listing of all current equipment, furniture, land and buildings as of September 30, 2007. Several schedules were provided with account totals which have been carried forward from earlier years. HANO failed to perform a physical inventory of its fixed assets at least once every two years as required by HUD regulations.

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

September 30, 2007

This matter relates to findings 2006-8, 2005-8, 2004-6, and 2003-9, which remain unresolved as of year-end.

Cause: HANO does not have procedures in place to perform a fixed asset inventory or provide a detail listing of total fixed assets.

Criteria: Regulations require that HANO perform an inventory of fixed assets at least every two years.

Auditors' Recommendation: A physical inventory of HANO's fixed assets should be taken, and that inventory should be reconciled to the accounting records.

Management's Response:

Management concurs with this finding. HANO intends to engage the services of an outside vendor to conduct the physical inventory.

Total questioned costs for CFDA #14.850 Low-Rent
Public Housing - Operating Subsidy

\$ 0

All Major Programs

CFDA # 14.850 Low-Rent Public Housing - Operating Subsidy
CFDA # 14.872 Capital Fund Program
CFDA # 14.871 Housing Choice Voucher Program - Vouchers
CFDA # 14.DVP Disaster Voucher Program
CFDA # 97.049 DHAP

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

September 30, 2007

2007 - 9 Controls over Financial Reporting

Type of finding: - Internal control - significant deficiency - material weakness
- Compliance - Reporting
(Also, Financial Statement Audit Finding - Internal Control - significant deficiency - material weakness)

Condition: During the course of the audit, the auditor noted several instances of poor controls over financial reporting. Among the items noted:

- There were numerous journal entries that were posted that should not have been recorded and were erroneous; auditor noted there was no approval of these.
- There were entries that were not booked in 2007 that should have been.
- HANO could not provide a detailed listing of accounts payable.
- Bank reconciliations contained reconciling items that needed to be recorded but were not.
- Bank reconciliations were not timely prepared and were not reviewed by an appropriate member of management.
- The activity related to component unit accounts receivable was more often than not recorded incorrectly on HANO's books.
- Auditor noted several instances of construction contract retention amounts not being properly accrued when incurred.
- Rent rolls provided by the financial department were incomplete.
- HANO could not provide a detailed tenant accounts receivable aging schedule; as a result, old outstanding tenant receivables have not been written off since 2004.
- Payroll accounts were being kept on the cash basis for a majority of the year; neither payroll accrual nor compensated absence activity was recorded during the year.
- Auditor noted a large amount of payroll related expenses that were being debited to liability accounts and never hitting the proper expense lines.
- There was a general disorganization of documents and there were several invoices that HANO was not able to locate.

Cause: The primary contributors to the errors is that the work of individuals responsible for performing the accounting and financial recordkeeping is not being monitored or reviewed to the extent necessary to prevent or detect the errors in the accounting records.

Criteria: To be properly managed, accurate and timely accounting records are required to be maintained. Additionally, each major federal awards program requires that internal controls

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

September 30, 2007

be established to ensure compliance with the program requirements, one of which is that accurate financial and other reports can be prepared.

Auditor's recommendation: Procedures should be established to:

- Review and approve journal entries prior to their posting to the accounting records.
- Ensure that all appropriate adjustments are posted prior to closing the books for the year, and to ensure that no additional adjustments are posted without proper approval.
- Begin a process of validating all balance sheet account balances, including, but not limited to, accounts payable, tenant security deposits, homeownership liabilities, accrued expenses, prepaid assets, tenant receivables, etc.
- Prepare bank reconciliations in the following month, and document a supervisor's review of the reconciliations and post all required adjustments.
- Periodically (monthly or quarterly), reconcile the activity related to component units to the accounting records of the component units.

Management's Response:

Management agrees with this recommendation and has since developed procedures exist for executing all the functions noted above. However, as far as the period under review is concerned, the level of execution was subject to a variety of circumstances:

- 1. Destruction / misplacement of records by Hurricane Karina.*
- 2. Inadequate systems for the recovery of documentation that was affected by Katrina*
- 3. A 40% staff reduction since Hurricane reduction.*

Management expects that the implementation of the procedures that now exist will eliminate these deficiencies.

THIS PAGE INTENTIONALLY LEFT BLANK

Housing Authority of New Orleans

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

September 30, 2007

Fiscal Year Finding Ref. Initially No. Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action or Partial Corrective Action Taken or Status
Section I - Internal Control and Compliance Material to the Financial Statements			
1	2006 CASH DISBURSEMENT PROCEDURES Signed checks are in the custody of the individual that prepares manual checks.	YES	Management has instituted a system in which all signed checks are handled by an individual independent of accounting functions. And, in the event that any checks are on hand at close of business, those checks are secured by an individual independent of payable, disbursing, cash receiving, and general ledger functions.
2	2006 PROCESSING OF VENDOR INVOICES Many disbursements tested lacked documentation of approval and verification/recalculations.	NO	Management will require personnel involved in the processing of invoices to initial the invoices to evidence that each invoice verification procedure is performed.
3	2006 AUDIT ENGAGEMENT COMPLETION Required annual audited financial statement filings with HUD's REAC and with the Louisiana Legislative Auditor were not made by the required filing deadlines.	NO	Management agrees that Katrina impacted the 2006 audit and therefore impacted the timing of the 2007 audit. Management is trying to deliver on deadlines established by the Louisiana Legislative Auditor with significantly reduced headcount.
4	2006 UNSECURED CHECK STOCK The room where the blank check stock is kept is left unlocked and unattended.	NO	Management has instituted the following procedures to provide adequate control over the blank check stock: 1. The room is now locked whenever checks are not being processed. 2. Two individuals who are independent of the check processing function keep the keys to this room and unlock the room when requested.

(continued)

Housing Authority of New Orleans

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED

September 30, 2007

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action or Partial Corrective Action Taken or Status
Section I - Internal Control and Compliance Material to the Financial Statements - Continued				
5	2006	UNDERFUNDED SELF INSURANCE FUND The self insurance fund has not been funded in accordance with state requirements. In additions, there has been no analysis done to identify incurred by not reported claims, and no liability has been established for the potential claims.	NO	Management considers its lack of reserves a serious matter and is working diligently to find solutions. They have begun to assess risk management policies and are procuring a risk management company to support those efforts.
1	2005	CASH DISBURSEMENT PROCEDURES Signed checks are in the custody of the individual that prepares manual checks.	YES	This finding continues as Finding 2006-1. See comment for Finding 2006-1 for status.
2	2005	PROCESSING OF VENDOR INVOICES Many disbursements tested lacked documentation of approval and verification/recalculations.	NO	This finding continues as Finding 2006-2. See comment for Finding 2006-2 for status.
3	2005	AUDIT ENGAGEMENT COMPLETION Required annual audited financial statement filings with HUD's REAC and with the Louisiana Legislative Auditor were not made by the required deadlines.	NO	This finding continues as Finding 2006-3. See comment for Finding 2006-3 for status.
4	2005	UNSECURED CHECK STOCK The room where the blank check stock is kept is left unlocked and unattended.	NO	This finding continues as Finding 2006-4. See comment for Finding 2006-4 for status.

(continued)

Housing Authority of New Orleans

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED

September 30, 2007

Ref.	Fiscal Year Finding Initially No. Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action or Partial Corrective Action Taken or Status
Section I - Internal Control and Compliance Material to the Financial Statements - Continued				
5	2005	UNDERFUNDED SELF INSURANCE FUND The self insurance fund has not been funded in accordance with state requirements. In additions, there has been no analysis done to identify incurred by not reported claims, and no liability has been established for the potential claims.	NO	This finding continues as Finding 2006-5. See comment for Finding 2006-5 for status.
1	2004	CASH DISBURSEMENTS PROCEDURES Signed checks are in the custody of the individual that prepares manual checks.	YES	This finding continues as Finding 2005-1. See comment for Finding 2005-1 for status.
2	2004	PROCESSING OF VENDOR INVOICES Many disbursements tested lacked documentation of approval and verification/recalculations.	NO	This finding continues as Finding 2005-2. See comment for Finding 2005-2 for status.
3	2004	AUDIT ENGAGEMENT COMPLETION Required annual audited financial statement filings with HUD's REAC and with the Louisiana Legislative Auditor were not made by the required deadlines.	NO	This finding continues as Finding 2005-3. See comment for Finding 2005-3 for status.
4	2004	ACCOUNTING RECORDS AND INTERNAL ACCOUNTING CONTROLS The condition of HANO's accounting records did not allow HANO to produce a trial balance or file an unaudited Financial Data Schedule submission that did not require numerous and material adjustments to report the correct information.	NO	The destruction of records caused by Hurricane Katrina added to the challenge of addressing this finding on a timely basis. However, HANO's consultants have reorganized functions and introduced procedures into the Finance Department that should address this condition for the year ended September 2007.

(continued)

Housing Authority of New Orleans

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED

September 30, 2007

Ref.	Fiscal Year Initially No. Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action or Partial Corrective Action Taken or Status
Section I - Internal Control and Compliance Material to the Financial Statements - Continued				
1	2003	CASH DISBURSEMENTS PROCEDURES Signed checks are in the custody of the individual that prepares manual checks.	YES	This finding continues as Finding 2004-1 and 2005-1. See comment for Finding 2005-1 for status.
3	2003	PROCESSING OF VENDOR INVOICES Many disbursements tested lacked documentation of approval and verification/recalculations.	NO	This finding continues as Finding 2004-2 and 2005-2. See comment for Finding 2005-2 for status.
2	2002	CASH DISBURSEMENTS PROCEDURES Signed checks are in the custody of the individual that prepares manual checks.	YES	This finding continues as Finding 2003-1, 2004-1, and 2005-1. See comment for Finding 2005-1 for status.
4	2002	PROCESSING OF VENDOR INVOICES Many disbursements tested lacked documentation of approval and verification/recalculations.	NO	This finding continues as Finding 2003-3, 2004-2, and 2005-2. See comment for Finding 2005-2 for status.

(continued)

Housing Authority of New Orleans

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED

September 30, 2007

Fiscal Year Finding Ref. Initially No. Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action or Partial Corrective Action Taken or Status
Section II - Internal Control and Compliance Material to Federal Awards			
6	2006 VOUCHER CLIENT FILES Required documentation was missing from several of the files selected for testing.	NO	Management is developing a comprehensive plan to protect against disastrous losses and to facilitate recovery where necessary.
7	2006 TENANT LEASE FILE ERRORS Required documentation was missing from several of the files selected for testing.	NO	Management is developing a comprehensive plan to protect against disastrous losses and to facilitate recovery where necessary.
8	2006 ACCOUNTING FOR THE ACTIVITIES OF THE RESIDENT MANAGEMENT CORPORATIONS HANO does not provide oversight to the Resident Management Corporations.	NO	Management is committed to ensuring that the responsibilities of the parties are executed in accordance with the contracts and will reconcile the cash accounts on a quarterly basis.
9	2006 INVENTORY OF FIXED ASSETS Fixed asset schedules were not in detail, and a physical inventory of fixed assets has not been conducted at least once every two years.	NO	Management concurs with this finding. HANO intends to engage the services of an outside vendor to conduct the physical inventory.

(continued)

Housing Authority of New Orleans

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED

September 30, 2007

Fiscal Year				
Ref.	Finding		Corrective	Planned Corrective Action
No.	Initially	Description of Finding	Action	or Partial Corrective
	Occurred		Taken	Action Taken or Status
Section II - Internal Control and Compliance Material to Federal Awards - Continued				
10	2006	<p>CONTROLS OVER FINANCIAL REPORTING</p> <p>During the course of the audit, several instances of poor controls over journal entries, general ledger closing, accounts payable reporting, bank reconciliations, and component unit receivable accounts were noted. Additionally, there was a general disorganization of documents and support and several invoices that could not be located.</p>	NO	<p>Management agrees with this recommendation and has since developed procedures exist for executing all the functions noted above. However, as far as the period under review is concerned, the level of execution was subject to a variety of circumstances:</p> <p>1. Destruction / misplacement of records by Hurricane Karina.</p> <p>2. Inadequate systems for the recovery of documentation that was affected by Katrina</p> <p>3. A 40% staff reduction since Hurricane reduction.</p> <p>Management expects that the implementation of the procedures that now exist will eliminate these deficiencies.</p>
6	2005	<p>VOUCHER CLIENT FILES AND PUBLIC HOUSING LEASES</p> <p>Voucher client files and public housing leases were unable to be provided because they were destroyed by flooding after Hurricane Katrina.</p>	NO	<p>This finding continues as Finding 2006-6 and 2006-7. See comment for Finding 2006-6 and 2006-7 for status.</p>
7	2005	<p>ACCOUNTING FOR THE ACTIVITIES OF THE RESIDENT MANAGEMENT CORPORATIONS</p> <p>HANO does not provide oversight to the Resident Management Corporations.</p>	NO	<p>This finding continues as Finding 2006-8. See comment for Finding 2006-8 for status.</p>

(continued)

Housing Authority of New Orleans

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED

September 30, 2007

Ref.	Fiscal Year Finding Initially No. Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action or Partial Corrective Action Taken or Status
Section II - Internal Control and Compliance Material to Federal Awards - Continued				
8	2005	INVENTORY OF FIXED ASSETS Fixed asset schedules were not in detail, and a physical inventory of fixed assets has not been conducted at least once every two years.	NO	Management concurs with this finding. And intends to engage the services of an outside vendor to conduct the physical inventory.
5	2004	TENANT LEASE FILE ERRORS Testing of lease files found many errors.	NO	Section 8 files and, to a lesser extent, Public Housing files were destroyed by flooding related to Hurricane Katrina. This setback the review and correction process. However, management has adopted an approach of continuing review of these files which should resolve this finding.
6	2004	INVENTORY OF FIXED ASSETS Fixed asset schedules were not in detail, and a physical inventory of fixed assets has not been conducted at least once every two years.	NO	This finding continues as Finding 2005-8. See comment for Finding 2005-8 for status.
8	2003	TENANT LEASE FILE ERRORS Testing of lease files found many errors.	NO	This finding continues as Finding 2004-5. See comment for Finding 2004-5 for status.
9	2003	INVENTORY OF FIXED ASSETS Fixed asset schedules were not in detail, and a physical inventory of fixed assets has not been conducted at least once every two year.	NO	This finding continues as Finding 2004-6 and 2005-8. See comment for Finding 2005-8 for status.

(continued)

Housing Authority of New Orleans

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED

September 30, 2007

Ref.	Fiscal Year Finding Initially No. Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action or Partial Corrective Action Taken or Status
Section II - Internal Control and Compliance Material to Federal Awards - Continued				
10	2002	TENANT LEASE FILE ERRORS Testing of lease files found many errors.	NO	This finding continues as Finding 2003-8 and 2004-5. See comment for Finding 2004-5 for status.
11	2002	INVENTORY OF FIXED ASSETS Fixed asset schedules were not in detail, and a physical inventory of fixed assets has not been conducted at least once every two year.	NO	This finding continues as Finding 2003-9, 2004-6, and 2005-8. See comment for Finding 2005-8 for status.

SUPPLEMENTAL INFORMATION

Housing Authority of New Orleans

FINANCIAL DATA SCHEDULE

September 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Self-Help Homeownership Opportunity Program	FEMA 97 016	HOPE VI 14 866	Capital Fund Program 14 872	Section 8 Vouchers 14 871	Section 8 New Construction 14 182	Section 8 Moderate Rehabilitation 14 856	KDIAP	DVP 14 DVP	Business Activities	State and Local	DHAP 97 049	Component Units	TOTAL
ASSETS:																
CURRENT ASSETS:																
Cash:																
111	Cash - Unrestricted	\$ 67,621,482	\$ 2,487,963	\$ -	\$ -13,495	\$ 4,301,085	\$ 57,233,916	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,474,668	\$ 36,240,910	\$ 178,026,519
112	Cash - Restricted - Modernization and Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
113	Cash - Other Restricted	14,057,124	-	9,317,144	-	-	371,009	-	-	-	-	-	-	-	1,453,751	25,199,028
114	Cash - Tenant Security Deposits	405,374	-	-	-	-	194	-	-	-	-	-	-	-	-	405,374
100	Total Cash	82,134,980	2,487,963	9,317,144	-13,495	4,301,085	57,605,119	-	-	-	-	-	-	9,474,668	37,694,661	203,629,115
Accounts and Notes Receivable:																
121	Accounts Receivable - PHA Projects	528,146	-	-	-	-	-	-	-	-	-	-	-	-	-	528,146
122	Accounts Receivable - HUD Other Projects	-	-	-	-	118,136	-	-	-	-	-	-	-	-	-	118,136
123	Accounts Receivable - Miscellaneous	6,196,048	-	-	-	269,680	-	-	-	-	-	-	-	-	-	6,465,728
124	Accounts Receivable - Tenants - Dwelling Units	-	-	-	-	-	75,626	-	-	-	-	-	-	-	-	75,626
125	Accounts Receivable - Tenants - Dwelling Units	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
126	Allowance for Doubtful Accounts - Dwelling Units	(333,960)	114,969	-	-	-	-	-	-	-	-	-	-	-	-	-
126.1	Allowance for Doubtful Accounts - Dwelling Units	(333,960)	(114,578)	-	-	-	-	-	-	-	-	-	-	-	-	-
126.2	Allowance for Doubtful Accounts - Other	(2,298,639)	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,298,639)
120	Total Receivables, Net of Allowances for Doubtful Accounts	4,205,265	391	-	-203,680	118,136	75,626	-	-	-	-	-	-	-	1,057,706	5,223,181
Current Investments:																
131	Investments - Unrestricted	7,992,214	-	-	-	-	-	-	-	-	-	-	-	-	-	7,992,214
132	Investments - Restricted	3,596	-	-	-	-	-	-	-	-	-	-	-	-	-	3,596
133	Prepaid Expenses and Other Assets	1,986,248	-	-	-	-	11,440	-	-	-	-	-	-	-	-	1,997,688
134	Investments	20,566	-	-	-	-	-	-	-	-	-	-	-	-	-	20,566
144	Interprogram Due From	46,648,323	115,231	-	610,600	3,845,108	134,678,970	-	10,379	461,167	11,073,786	484,363	-	(17,379)	-	197,910,568
150	TOTAL CURRENT ASSETS	142,991,492	2,803,585	9,317,144	1,233,715	4,284,329	192,371,155	-	10,379	461,167	11,073,786	484,363	3,886,927	9,457,289	40,145,808	412,561,297
NONCURRENT ASSETS:																
Fixed Assets:																
161	Land	32,244,200	634,272	-	7,539,710	44,975	-	-	-	-	-	-	-	-	-	40,853,157
162	Buildings	14,228,766	-	-	-	-	-	-	-	-	-	-	-	-	-	14,228,766
163	Furniture, Equipment & Machinery - Dwellings	181,496	-	-	-	-	-	-	-	-	-	-	-	-	-	181,496
164	Furniture, Equipment & Machinery - Administration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
165	Leasehold Improvements	-	-	-	14,865	-	-	-	-	-	-	-	-	20,722	-	35,587
166	Accumulated Depreciation	(1,093,193)	-	-	49,890	-	-	-	-	-	-	-	-	(4,144)	-	(983,447)
167	Construction in Progress	-	12,072	-	(2,973)	-	-	-	-	-	-	-	-	(4,144)	-	(2,985,171)
160	Total Fixed Assets, Net of Accumulated Depreciation	45,561,069	636,344	-	1,562,560	44,975	-	-	-	-	-	-	-	16,578	45,318,173	111,933,141
171	Notes and Mortgages Receivable - Non-Current	69,893,979	-	-	7,316,311	1,726,526	-	-	-	-	-	-	-	-	-	85,271,656
174	Other Assets	1,319,487	-	-	462,618	184,289	-	-	-	-	-	-	-	-	-	2,056,394
180	TOTAL NONCURRENT ASSETS	107,764,435	636,344	-	17,343,082	1,935,210	-	-	-	-	-	-	-	16,578	71,386,799	217,960,778
190	TOTAL ASSETS	\$ 250,755,927	\$ 3,439,929	\$ 9,317,144	\$ 18,635,857	\$ 10,200,019	\$ 192,371,155	\$ -	\$ 10,379	\$ 461,167	\$ 11,073,786	\$ 28,888,404	\$ 14,678,776	\$ 9,473,867	\$ 111,534,607	\$ 659,862,017

Housing Authority of New Orleans

FINANCIAL DATA SCHEDULE - CONTINUED

September 30, 2007

Line Item #	Account Description	Low Rent Public Housing 14 850	Self-Help Homownership Opportunity Program 14 247	FEMA 97 086	HOPE VI 14 866	Capital Fund Program 14 872	Section 8 Vouchers 14 871	Section 8 New Construction 14 182	Section 8 Moderate Rehabilitation 14 856	KIDAP 14 DVP	DVP 14 DVP	Business Activities	State and Local	IRAP 97 049	Component Units	TOTAL
LIABILITIES AND NET ASSETS:																
LIABILITIES:																
CURRENT LIABILITIES:																
312	Accounts Payable <= 90 Days	\$ 1,695,229	\$ 4	\$ -	\$ 3,063	\$ 1,117	\$ 548,347	\$ -	\$ -	\$ -	\$ 203,750	\$ -	\$ -	\$ 52,416	\$ 3,117,806	\$ 5,621,732
321	Accrued Wage/Payroll Taxes Payable	501,283	-	-	-	-	70,790	-	-	-	-	-	-	-	-	572,173
322	Accrued Compensated Absences - Current Portion	181,792	-	-	-	-	24,555	-	-	-	-	-	-	-	-	206,347
323	Accrued Contingency Liability	1,875,147	-	-	-	-	-	-	-	-	-	-	-	-	634,500	2,509,647
331	Accounts Payable - HUD PHA Programs	-	-	-	-	-	3,067,414	-	-	-	-	-	-	-	-	3,067,414
341	Tenant Security Deposits	579,944	-	-	-	-	-	-	-	-	-	-	-	-	10,101	590,045
342	Deferred Revenues	4,575,500	778	-	-	-	-	-	-	-	-	1,940,600	3,208,149	5,693,562	166,268	13,844,307
343	Current Portion of Long-Term Debt - Capital Projects	931,829	-	-	-	-	-	-	-	-	-	-	-	-	-	1,900,000
345	Other Current Liabilities	1,068,724	-	-	490	36,025	-	-	(8,127)	-	-	2,318	10,300	-	330,975	1,282,936
346	Accrued Liabilities - Other	127,710,570	-	-	2,289	4,192,589	55,114,114	41,082	-	-	-	81,076	265,054	-	4,479,657	5,790,426
347	Interprogram Due To	150,140,168	652,838	8,826,573	270,170	4,459,039	58,825,250	41,082	(8,127)	-	203,750	2,743,874	3,483,703	5,745,978	8,909,507	213,335,825
340	TOTAL CURRENT LIABILITIES															
NONCURRENT LIABILITIES:																
351	Long-Term Debt, Net of Current - Capital Projects	-	-	-	-	-	-	-	-	-	-	19,840,000	-	-	101,159,192	120,999,192
354	Accrued Compensated Absences - Non Current	964,785	-	-	-	-	130,317	-	-	-	-	-	-	-	-	1,095,102
355	Noncurrent Liabilities - Other	23,165,018	805,830	-	-	-	5,611	-	-	-	-	-	-	-	-	26,449,751
350	TOTAL NONCURRENT LIABILITIES															
		103,469,991	1,450,668	8,826,573	270,170	4,459,039	58,959,178	41,082	(8,127)	-	203,750	22,583,874	3,487,703	5,745,978	112,343,971	381,869,870
NET ASSETS:																
508 1	Invested in Capital Assets, Net of Related Debt	45,561,169	636,144	-	9,564,153	44,973	-	-	-	-	-	(21,770,000)	10,791,849	16,578	-	44,844,968
511 1	Restricted Net Assets	61,729,152	-	-	7,778,929	1,890,715	-	-	-	-	-	-	678,778	-	-	72,077,594
512 1	Unrestricted Net Assets	(20,064,283)	1,312,897	490,571	3,023,693	3,895,290	133,411,577	(41,082)	18,506	461,167	10,870,036	27,274,510	(275,554)	3,711,311	(989,264)	161,069,605
513	TOTAL NET ASSETS															
		87,285,936	1,919,241	490,571	18,766,887	5,711,000	133,411,577	(41,082)	18,506	461,167	10,870,036	5,504,510	11,185,073	3,727,859	(989,264)	272,992,167
600	TOTAL LIABILITIES AND NET ASSETS															
		\$ 250,755,927	\$ 3,439,929	\$ 9,317,144	\$ 18,636,887	\$ 10,208,039	\$ 192,371,155	\$ -	\$ 10,379	\$ 461,167	\$ 11,073,786	\$ 38,088,401	\$ 14,678,776	\$ 9,473,867	\$ 1,113,567	\$ 659,862,037

Housing Authority of New Orleans

FINANCIAL DATA SCHEDULE - CONTINUED

September 30, 2007

Account Description	Self-Help Homeownership Program 14 217	FEMA 97 036	HOPE VI 14 866	Capital Program 14 872	Section 8 Vouchers 14 855	Section 8 New Construction 14 882	Section 8 Moderate Rehabilitation 14 856	Comprehensive Assistance Program 14 852	KDIAP 14 852	DVP 14 852	Business Activities 14 852	Site and Local 14 852	DIAF 97 039	Component Units	TOTAL
REVENUE:															
Net Tenant Rental Revenue	\$ 1,935,613	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 511,900	\$ 2,447,513
Tenant Revenue - Other	44,008	-	-	-	-	-	-	-	-	-	-	-	-	48,660	92,668
Total Tenant Revenue	1,979,621	-	-	-	-	-	-	-	-	-	-	-	-	560,560	2,040,189
HUD PHA Grants	29,772,682	-	-	71,345	30,302,974	71,674,338	30,724	-	-	58,333,598	-	-	3,779,320	-	195,966,871
Capital Grants	-	-	-	39,031	-	-	-	-	-	-	-	-	-	-	39,031
Other Governmental Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment Income - Unrestricted	4,177,858	65,249	445,244	-	2,194,546	-	-	-	-	-	-	749,857	-	-	749,857
Other Revenue	1,149,318	41,851	-	1,886,806	11,581	-	5,924	-	-	-	-	153,405	1,786	21,725	7,561,813
Gain/Loss on Sale of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	1,259,886	4,335,766
Investment Income - Restricted	732,992	-	-	118,476	83,197	-	-	-	-	-	-	-	-	1,022,272	2,737,285
TOTAL REVENUE	38,630,471	107,100	445,244	230,753	32,272,977	76,180,855	36,648	-	-	58,333,598	760,348	905,662	3,781,106	2,913,743	211,998,101
EXPENSES:															
Administrative:															
Administrative Salaries	3,679,554	-	-	-	-	1,281,749	-	-	-	-	-	-	-	-	4,961,303
Auditing Fees	163,050	-	-	-	-	-	-	-	-	-	-	-	-	-	250,805
Outside Management Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56,435
Employee Benefit Contributions - Administrative	4,483,462	-	-	1,007	556	237,389	-	-	-	2,922	-	-	-	-	4,727,336
Other Operating - Administrative	11,348,124	21,226	-	471	9,563,641	1,013,233	-	-	1,109	293,718	1,500	-	27,915	664,701	23,937,638
Tenant Services:															
Tenant Services - Salaries	724,362	-	-	-	-	-	-	-	-	-	-	-	-	-	724,362
Relocation Costs	372,676	3,943	-	71,931	3,016,422	2,269	-	-	-	-	-	-	-	-	3,766,619
Tenant Services - Other	560,821	-	-	-	-	-	-	-	-	3,419	-	-	-	-	3,454,863
Utilities:															
Water	286,481	-	-	-	-	-	-	-	-	-	-	-	-	-	286,481
Electricity	920,003	1,984	-	-	-	-	-	-	-	-	-	-	-	-	921,987
Gas	270,395	-	-	-	-	-	-	-	-	-	-	-	-	-	270,395
Ordinary Maintenance & Operation:															
Ordinary Maintenance and Operation - Labor	4,120,976	-	-	-	-	-	-	-	-	-	-	-	-	-	4,120,976
Ordinary Maintenance and Operation - Materials and Other	1,272,574	-	-	12,395	819	-	-	-	-	58,196	-	-	-	41,307	1,343,984
Ordinary Maintenance and Operation - Contract Costs	666,832	17,456	-	27,426	69,209	-	-	-	-	4,300	-	-	3,779	-	789,002
Employee Benefit Contributions - Ordinary Maintenance	2,200,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,200,000
TOTAL EXPENSES	8,968,412	17,456	-	39,821	70,083	-	-	-	-	62,496	-	-	3,779	41,307	9,155,259

Housing Authority of New Orleans

FINANCIAL DATA SCHEDULE - CONTINUED

September 30, 2007

Line Item #	Account Description	Low Rent Public Housing 14 850	Self-Help Opportunity Program 14 217	EBMVA 97 036	HOPPE VI 14 866	Capital Fund Program 14 872	Section 8 Vouchers 14 871	Section 8 New Construction 14 182	Section 8 Moderate Rehabilitation 14 836	KDMAP 14 110P	DVP 14 110P	Business Activities	State and Local	DIVAP 97 040	Component Unit	TOTAL
Protective Services																
931	Protective Services - Labor	721,402	-	-	-	-	-	-	-	-	-	-	-	-	-	721,402
932	Protective Services - Other Contract Costs	768,511	-	-	-	-	-	-	-	-	-	-	-	-	-	768,511
933	Protective Services - Other	331,665	-	-	-	-	-	-	-	-	-	-	-	-	-	331,665
		1,721,578														1,721,578
General Expenses																
961	Interest Premiums	4,232,132	-	-	-	-	-	-	-	-	-	-	-	-	-	4,232,132
962	Other General Expenses	3,316,378	(9,181)	-	-	(554)	83,015	-	-	24,387	-	-	-	-	107,732	4,319,964
963	Bldg Debt - Tenant Rents	131,828	-	-	-	-	-	-	-	-	-	-	-	-	638,101	4,037,006
966	Bldg Debt - Other	4,738,153	-	-	-	-	-	-	37,000	-	-	-	-	-	131,828	5,038,193
967	Interest Expense	12,421,020	(9,181)	-	-	(554)	83,015	-	-	24,387	-	-	-	-	263,040	12,449,249
		12,421,020														12,421,020
969	TOTAL OPERATING EXPENSES	45,715,918	36,428	445,244	76,382	12,619,385	2,687,083	-	37,000	1,109	386,942	974,171	-	31,694	4,426,201	66,887,447
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(7,682,447)	70,672	-	157,243	19,653,691	73,493,172	-	(332)	(1,109)	57,946,656	(213,229)	905,262	3,749,412	(1,312,458)	147,010,657
Other Expenses																
971	Extraordinary Maintenance	1,727,229	-	-	-	-	9,805,052	-	-	-	30,772	26,394	11,267	17,379	-	11,607,943
972	Security Losses - Non-Capitalized	-	-	-	-	-	-	-	-	-	-	-	-	-	(84,695)	11,607,943
973	Housing Assistance Payments	555,523	-	-	2,973	-	8,706,335	-	-	-	52,612,744	-	-	-	-	61,378,999
974	Depreciation Expense	2,282,172	-	-	2,573	9,805,052	8,706,335	-	-	-	-	-	-	4,144	1,340,690	1,912,330
		47,951,670	36,428	-	76,382	22,424,238	11,453,938	-	37,000	1,109	53,020,498	1,000,371	11,267	33,317	5,691,196	141,802,024
Other Financing Sources (Uses)																
1001	Operating Transfers In	396,941	-	-	-	-	-	-	-	-	-	-	-	-	-	396,941
1002	Operating Transfers Out	-	-	-	-	(8,155,765)	-	-	-	-	-	-	-	-	-	(8,155,765)
1004	Special Items (net gain/loss)	(2,440,568)	-	-	-	-	-	-	-	-	-	(1,251,188)	-	-	2,937,996	(733,960)
1010	Total Other Financing Sources (Uses)	(2,043,627)	-	-	-	(8,155,765)	-	-	-	-	-	6,027,586	-	-	2,937,996	(733,960)
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ (12,608,835)	\$ 70,672	\$ 445,244	\$ 154,370	\$ 1,392,254	\$ 64,736,917	\$ -	\$ (332)	\$ (1,109)	\$ 53,131,190	\$ 6,367,331	\$ 892,995	\$ 3,727,889	\$ (80,543)	\$ 71,462,120
Memo Account Information																
1103	Beginning Equity (per GO Audit)	\$ 101,645,211	\$ 1,878,559	\$ 45,327	\$ 18,212,317	\$ 3,006,331	\$ 68,685,060	\$ (41,082)	\$ 18,858	\$ 462,276	\$ 5,556,846	\$ (862,803)	\$ 10,101,078	\$ -	\$ (2,448,590)	\$ 206,558,568
1104	Capital Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Prior Period Adjs - write off of cash accounts	\$ (2,166,087)	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ (2,166,087)
	Prior Period Adjs - notes receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Prior Period Adjs - write off of cash accounts	-	-	-	-	1,142,215	-	-	-	-	-	-	-	-	-	\$ 1,142,215
	Prior Period Adjs - write off of cash accounts	\$ (184,362)	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ (184,362)
	Prior Period Adjs - Homeownership Opportunity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Prior Period Adjs -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1112	Depreciation Add Back	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1113	Maximum Annual Contributions Commitment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1114	Period of Less than Twelve Months	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1115	Contingency Reserve - ACC Program Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1116	Total Annual Contributions Available	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1120	Unit Months Available	31,352	972	-	-	-	19,862	2,888	1,398	-	-	-	-	-	-	57,472
1121	Number of Unit Months Leased	11,472	936	-	-	-	19,862	2,600	1,187	-	-	-	-	-	-	16,057

THIS PAGE INTENTIONALLY LEFT BLANK

Housing Authority of New Orleans

SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS

September 30, 2007

	Type	Federal CFDA #	Expenditures
DIRECT AWARDS			
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:			
Public Housing:			
Operating Subsidy	A - Major	14.850	\$ 29,772,682
HOPE VI - Urban Revitalization Program	B - Nonmajor	14.866	112,276
Capital Fund program	A - Major	14.872	30,302,974
Housing Choice Voucher Program:			
Voucher	A - Major	14.871	73,674,328
Moderate Rehabilitation	B - Nonmajor	14.856	30,724
DVP	A - Major	14.DVP	58,333,598
FEDERAL EMERGENCY MANAGEMENT AGENCY			
DHAP	A - Major	97.049	<u>3,779,320</u>
TOTAL FEDERAL FINANCIAL AWARDS			<u><u>\$ 196,005,902</u></u>

Note: The accompanying schedule of expenditures of federal awards includes the federal grant activity for the Housing Authority of New Orleans and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.